

# ***STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION TURNPIKE SYSTEM***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Front cover

Spaulding Turnpike (NH 16) Little Bay Bridge & General Sullivan Bridge looking southeast.

STATE OF NEW HAMPSHIRE  
DEPARTMENT OF TRANSPORTATION  
TURNPIKE SYSTEM



COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2012

Prepared by the State of New Hampshire  
Department of Transportation  
Division of Finance

Leonard L. Russell, CPA, Financial Reporting Administrator  
Walker Nielsen, Administrator III  
Marie Mullen, Administrator II  
Mary Ellen Emmerling, CPA, CCM, Financial Analyst  
Margaret S. Blacker, Turnpikes Business Administrator  
Elizabeth A. Yanco, Accountant IV

This document and related information can be accessed at <http://webster.state.nh.us/dot/media/publications.htm>

NEW HAMPSHIRE TURNPIKE SYSTEM  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

## Table of Contents

<b>Introductory Section (Unaudited) .....</b>	<b>3</b>
Turnpike System Map .....	4
Commissioner's Letter .....	5-9
Organizational Listing .....	10
Transmittal Letter .....	11-12
<b>Financial Section .....</b>	<b>13</b>
Independent Auditor's Report .....	14-15
Management's Discussion and Analysis .....	16-21
Basic Financial Statements .....	22
Statement of Net Assets .....	23
Statement of Revenues, Expenses, and Changes in Net Assets .....	24
Statement of Cash Flows .....	25
Table of Contents – Notes to the Financial Statements .....	26
Notes to the Financial Statements .....	27-39
<b>Other Supplementary Information Section (Unaudited).....</b>	<b>40</b>
Budget to Actual (Non-GAAP Budgetary Basis) Schedule.....	41-42
Note to Other Supplementary Information .....	43
<b>Statistical Section (Unaudited).....</b>	<b>44</b>
Statement of Net Assets, Comparative Fiscal Years Ended June 30 .....	45
Statement of Revenues, Expenses, and Changes in Net Assets, Comparative Fiscal Years Ended June 30 .....	46
Capital Assets, Comparative Fiscal Years Ended June 30.....	47
Schedule of Debt Service Coverage Ratio.....	48
Graphs: Gross Revenues, Direct Operating Expenses, and Net Revenue Available for Debt Service and Debt Service Coverage Ratio.....	49
Annual Traffic and Toll Revenue Trends .....	50
Graph of Annual Traffic and Toll Revenue Trends.....	51
Turnpike System Toll Rate Schedule Effective July 1, 2009 .....	52

NEW HAMPSHIRE TURNPIKE SYSTEM  
Introductory Section  
For the Fiscal Year Ended June 30, 2012

**INTRODUCTORY SECTION**  
(Unaudited)

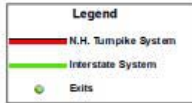
This section includes the Turnpike System map; a letter addressed to the citizens, the Governor of the State of New Hampshire, and the Honorable Council; an organizational listing of the principal officials; and a transmittal letter.



# TURNPIKE SYSTEM

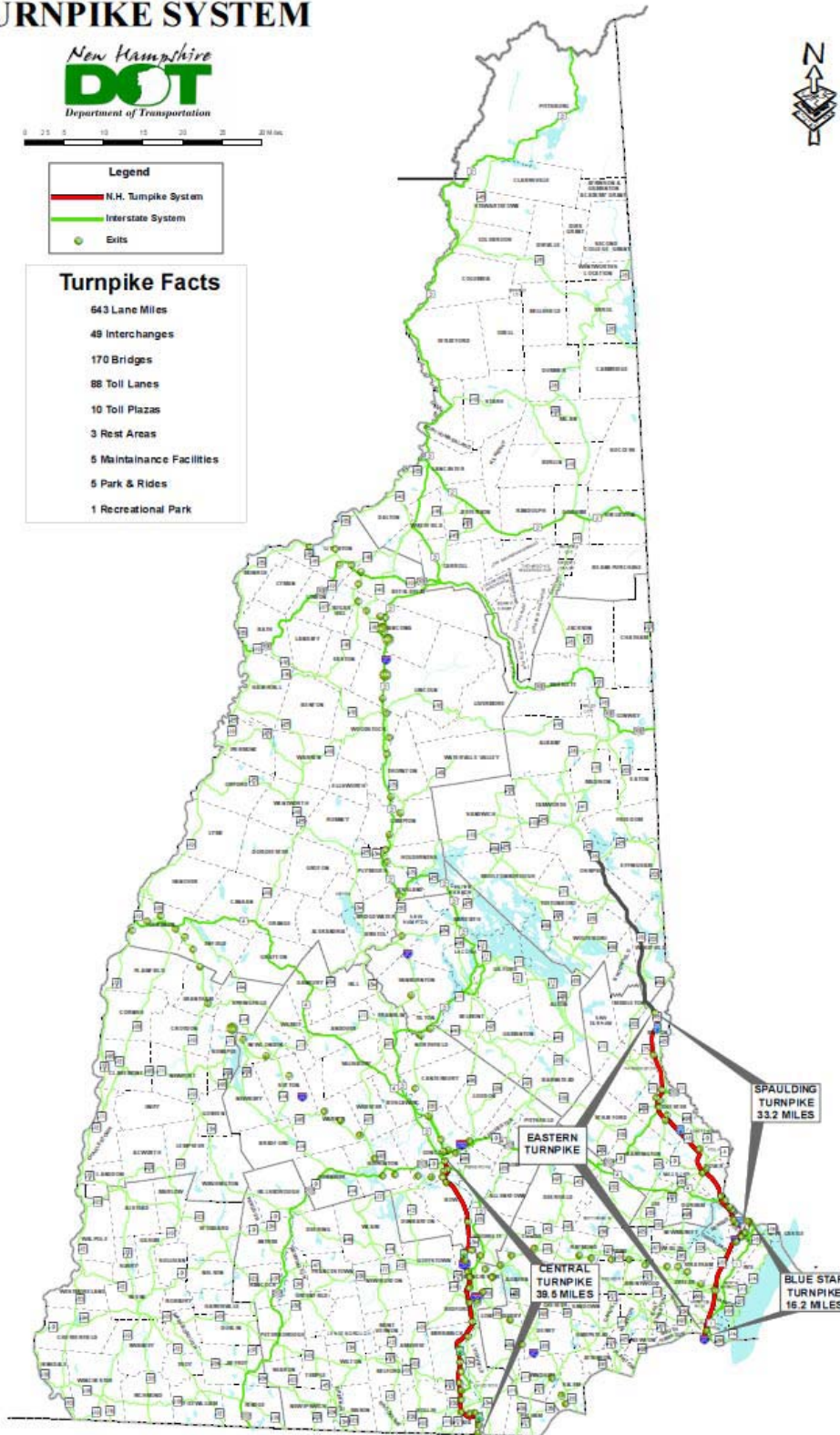


0 2.5 5 10 15 20 25 Miles



## Turnpike Facts

- 643 Lane Miles
- 49 Interchanges
- 170 Bridges
- 88 Toll Lanes
- 10 Toll Plazas
- 3 Rest Areas
- 5 Maintenance Facilities
- 5 Park & Rides
- 1 Recreational Park



EASTERN  
TURNPIKE

CENTRAL  
TURNPIKE  
38.5 MILES

SPAULDING  
TURNPIKE  
33.2 MILES

BLUE STAR  
TURNPIKE  
16.2 MILES

June, 2012

**THE STATE OF NEW HAMPSHIRE  
DEPARTMENT OF TRANSPORTATION**



**CHRISTOPHER D. CLEMENT, SR.  
COMMISSIONER**



**JEFF BRILLHART, P.E.  
ASSISTANT COMMISSIONER**

December 26, 2012

To: The Citizens of New Hampshire,  
His Excellency the Governor, and the Honorable Council,

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Department of Transportation Turnpike System for the fiscal year ended June 30, 2012. Recent developments affecting the Turnpike System during this fiscal year include the following:

- Toll transactions and toll revenues remained flat from fiscal year 2011 to 2012. Modest growth elsewhere on the Turnpike System was eroded by reductions attributed to the opening of the Manchester-Boston Regional Airport Access Road (MAAR), where a new interchange was constructed around the existing Bedford main line plaza to provide free access from the Central Turnpike (F.E. Everett) to the Manchester airport. The MAAR opened on November 11, 2011 and through June 30, 2012 resulted in 1.2 million fewer transactions at the Bedford main line plaza or 11.1% less than the same period in the prior year. This is estimated to result in \$1.1 million less toll revenue at the Bedford location. In addition, the Merrimack Exit 12 ramp toll plazas have experienced a reduction of 208,399 transactions, which is valued at approximately \$88,000 in lost toll revenue. The other two Merrimack ramp plazas have experienced slight (0.8% at Exit 11) to good (20.2% at Exit 10) growth in traffic that has largely offset the losses experienced at Exit 12. Extracting the Bedford and Merrimack plazas, the rest of the Turnpike system experienced growth of roughly 1.3% for fiscal year 2012.
- Transactions increased in the E-ZPass Program with overall E-ZPass utilization increasing by 1.9% over the previous year (40% as of 6/30/06, to 66% as of 6/30/12). The Hampton Open Road Tolling (ORT) plaza continues to lead the growth on the system reflecting a 2.5% increase in E-ZPass utilization over the previous year.
- Aggressive scheduling and progression of high priority construction projects on the Turnpike System continues with the widening of the Spaulding Turnpike in Rochester and the construction of the new Little Bay Bridge and Spaulding Turnpike improvements in Newington and Dover. Ten construction contracts with a total of approximately \$223.0 million were under construction this fiscal year.
- On July 27, 2011, the State's Treasurer's Office, issued \$42.1 million of Turnpike System revenue refunding bonds. This refunding transaction will result in a cash savings of \$5.4 million over the next 9 years and an 8.14% net present value savings of \$3.7 million, all while not extending the bond term.
- On February 23, 2012, the State's Treasurer's Office issued \$65.4 million of Turnpike System revenue refunding bonds. The closing date for this bond issue was November 5, 2012. This refunding transaction will result in a cash savings of \$9.5 million over the next 12 years and a 10.17% net present value savings of \$7.4 million, all while not extending the bond term.

- Chapter 1, Laws of 2010 Special Session, authorized the acquisition and transfer of the I-93 Hooksett Rest Areas (less Liquor Store sites) to the Turnpike System. On July 17, 2012, the Turnpike System issued a request for qualifications (RFQ) to procure a developer/operator through a ground lease arrangement to develop the existing rest areas and State Liquor stores into new full-service area facilities with new State Liquor Stores.
- The General Bond Resolution requires the Turnpike System to maintain a Revenue Bond Coverage Ratio of 1.20%; the 2012 ratio is 2.35%. The resolution also requires an All Obligations Coverage Ratio of 1.0%; the 2012 ratio is 1.84%.
- The Bureau of Turnpikes, effective June 17, 2011, implemented a “Lean Staffing Model” for Toll Operations whereby scheduling guidelines were provided to toll supervisory staff to better align staffing at each toll facility to the projected cash lane traffic. In fiscal year 2012 (after 26 bi-weekly pay-periods), nearly 17% fewer full-time and part-time hours were worked as compared to fiscal year 2011. This resulted in total personnel cost savings of 15.3% or \$1.5 million system-wide.
- The Turnpike System continues to receive adequate preventive maintenance, allowing for facilities to be maintained in good condition. HNTB’s Renewal and Replacement Program assessment dated January 12, 2012 reported the infrastructure of the System to be in generally good condition.

The Department of Transportation, Division of Finance, prepared this report. Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Department. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results in operations, and cash flows of the Turnpike System. All disclosures necessary to enable the reader to gain an understanding of the Turnpike System’s financial activities have been included.

## **THE TURNPIKE SYSTEM**

### ***General Description***

The Turnpike System, as shown on the map in the Introductory Section, presently consists of 89 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 643 total lane miles, 170 bridges, 49 interchanges, and 24 facilities. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System consists of three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, (which are collectively referred to as the Eastern Turnpike), and the Central Turnpike. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.

No food, gas or vehicle service facilities are located on the Turnpike System, with the exception of vending machines at the Hooksett and Seabrook rest areas which are operated by a private vendor and a state licensing agency for the Blind and Visually Impaired. Motorist services are located near most interchanges on the Turnpike System and are privately operated. State operated liquor stores are located at two rest areas on the Central Turnpike (I-93) and at two sites along the Blue Star Turnpike (I-95). The Turnpike System does not receive any revenue from the liquor store operations, which are operated by the State’s Liquor Commission, but receive nominal revenue from the vending installations.

### ***The Eastern Turnpike***

#### **Blue Star Turnpike (I-95)**

The Blue Star Turnpike segment of the Turnpike System extends from the Massachusetts state line in Seabrook, New Hampshire to the Maine State line in Portsmouth, New Hampshire. It is 16.2 miles in length and constitutes a portion of U.S. Interstate Highway 95. The Blue Star Turnpike serves as the major connecting road between the states of Maine and Massachusetts. It also parallels the seacoast and, as such, is the major artery for tourist traffic to the New Hampshire coast from Massachusetts and Maine. The route also connects with several major highways in New



Hampshire, including Route 101, Route 4 and the Spaulding Turnpike. Two toll plazas are located in Hampton, one for main line traffic and one for vehicles entering and leaving the Turnpike System at NH Route 101.

Hampton also has both a maintenance and park and ride facility to encourage car-pooling. The Seabrook Welcome Center provides a rest area, vending machines, and parking for automobiles and commercial vehicles.

#### *Open Road Tolling*

The new highway speed electronic tolling lanes at the Hampton Toll Plaza on Interstate 95 (Blue Star Turnpike) opened permanently for motorists early on the morning of June 17, 2010. In fiscal year 2012, over 65% of all vehicles used the Open Road Tolling (ORT) lanes at the Hampton Toll Plaza, an increase from 62% in fiscal year 2011.

During its first year of operation, the ORT lanes at the Hampton Tolls have reduced traffic backups, improved service for E-ZPass customers, improved air quality by reducing emissions caused by idling, and reduced diversion to alternate routes by improving traffic flow.

The \$16.8 million ORT project converted six plaza lanes to four ORT lanes (two in each direction) while also adding one additional tollbooth in each direction. ORT lanes can process nearly five times as many vehicles as a conventional cash toll lane and 60 percent more traffic than a dedicated E-ZPass lane where motorists must slow down to pass through. In addition to the ORT lanes, there are a total of 12 toll lanes in use (six northbound and six southbound) for both cash paying and E-ZPass customers.

The project was selected as the regional winner in the 2011 America's Transportation Awards competition under the On Time Small Project category. The America's Transportation Awards were created to acknowledge transportation improvements delivered by state departments of transportation "On Time", "Under Budget", and with "Innovative Management." Subsequent to the selection as a regional winner, the ORT project was identified as one of the "Top Ten" projects nationwide.

#### *Route 107 Seabrook*

Final design engineering work has been completed for the planned widening of the US Route 107 bridge over I-95 in Seabrook. The expansion is expected to greatly improve the evacuation capacity of Route 107, reduce traffic backups and improve air quality. The Town of Seabrook and a private developer have agreed to fund approximately 40% or \$2.7 million of the \$6.9 million project, which was approved by Governor and Executive Council in June 2012. Construction started in July 2012 and is expected to be substantially complete by October 2013.

#### **Spaulding Turnpike**

The Spaulding Turnpike segment of the Turnpike System, including the 11.2 mile Spaulding Turnpike extension, extends from the traffic circle in Portsmouth, New Hampshire to Exit 18 in Milton, New Hampshire. It is 33.2 miles in length and is the major north-south artery connecting the three major urban centers in New Hampshire (the cities of Portsmouth, Dover and Rochester) on the eastern side of the State. This segment of the Turnpike System connects the Blue Star Turnpike (I-95) to Route 16 (the major roadway to northern New Hampshire in the eastern portion of the State). It also connects the major cities of Portsmouth, Dover and Rochester, as well as intersects with several major highways (Routes 4, 16 and 125). It has two toll plazas located in Dover and in Rochester, a maintenance facility located in Dover, and a park and ride facility at Exit 9 in Dover. Maintenance on the Spaulding Turnpike extension is provided by the Department of Transportation's Bureau of Highway Maintenance, which bills the Bureau of Turnpikes for the services. In addition, for the convenience of the Turnpike System patrons, park and picnic facilities are provided at Hilton Park in Dover.

#### **The Central Turnpike (F.E. Everett)**

The Central Turnpike, commonly known as the F.E. Everett Turnpike, extends from the Massachusetts state line in Nashua, New Hampshire to Exit 14 in Concord, New Hampshire. It is 39.5 miles in length and constitutes a portion of U.S. Interstate Highways 93 and 293. The Central Turnpike connects three urban centers in New Hampshire (the cities of Concord, Manchester, and Nashua). The route also intersects with the major east-west roads of Route 101, Route 4 and I-89. Six toll plazas are located on the Central Turnpike: two at Hooksett (main line and ramp), a main line plaza in Bedford, and ramp plazas at Bedford Road, Exit 11 and Merrimack Industrial Interchange, all in Merrimack. There are

maintenance facilities in Nashua, Merrimack and Hooksett. Park and ride facilities are provided in Hooksett at Exit 11 and Nashua at Exits 7 and 8.

In addition, two rest areas for information and rest room facilities are provided in Hooksett for the convenience of Turnpike System patrons. The Central Turnpike also had a Welcome Center at Exit 6 in Nashua, which was closed in November 2010 and reconstructed to provide a satellite Department of Safety, Division of Motor Vehicle (DMV) office and an E-ZPass Walk-In-Center (WIC). Although bus service to Boston was available from this facility as well as from the park and ride at Exit 8, it is now available only at Exit 8 as both sites have been re-developed. The new bus station at Exit 8 was opened in December of 2010. The new satellite DMV office and E-ZPass WIC was opened in July 2011.

#### *Hooksett Open Road Tolling*

Construction on the second ORT facility in New Hampshire began in April 2012. This facility will implement new highway speed electronic tolling lanes at the Hooksett Toll Plaza on I-93. The improvements also include the rehabilitation of the existing toll plaza, roadway widening and reconstruction, and bridge rehabilitation at three locations (I-93 bridges over Hackett Hill Road, Ramp A-B and Cross Road).

The introduction of ORT lanes at the Hooksett Tolls will reduce traffic backups, improve service for E-ZPass customers, improve air quality by reducing emissions, reduce energy usage, and decrease diversion to alternate routes by improving traffic flow.

The \$22.5 million Hooksett ORT project will convert six plaza lanes to four ORT lanes (two in each direction). An ORT lane can process nearly five times as many vehicles as a conventional cash toll lane and 60 percent more traffic than a dedicated E-ZPass lane which requires motorists to slow down to pass through the lane. In addition to the ORT lanes, there will be a total of 12 toll lanes in use (six northbound and six southbound) for both cash paying and E-ZPass customers. The project is scheduled to be substantially complete, and the ORT lanes operational by June 2013.

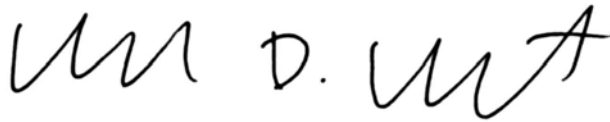
#### *Hooksett Rest Area Redevelopment*

In two successive transactions in June 2010, and June 2011, the Turnpike System purchased land at both the northbound and southbound portions of the Hooksett Rest Area from the New Hampshire Liquor Commission. The Liquor Commission retained ownership of the land (approximately 20,000 square feet) beneath the current liquor store buildings and the planned expansion of those buildings. The project proposes to redevelop the existing rest areas and State liquor stores, located north of the Hooksett Toll Plaza, into new full-service area facilities with new State liquor stores. A request for proposals (RFP) to procure a developer/operator through a ground lease arrangement was issued in March 2011. The new service areas are envisioned to offer major branded and/or locally recognized food concepts and to be anchored with new State liquor stores. Although these facilities are expected to be an attractive option for travelers on the Turnpike, the project is not expected to have an effect on traffic. Any potential added revenue to the Turnpike System is expected to be determined through the RFP process. In response to the RFP, one proposal was received that ultimately was determined to be inadequate and rejected by the Selection Committee on October 26, 2011. On December 20, 2011, the one bidder filed suit under RSA 91-A, the State's right-to-know law, arguing that the State failed to comply with the law in not producing documents and requested an injunction on the re-issuance of the RFP. This bidder also threatened to sue the State for failure to award the bid to it. On May 22, 2012, the Superior Court ruled that the State may invoke RSA 21-I:13-a(II) to prohibit production of any materials which will be used or relied upon to prepare a subsequent invitation to bid. The outcome of this matter cannot be predicted at this time. On July 17, 2012, the Turnpike System issued a request for qualifications (RFQ) to procure a developer/operator through a ground lease arrangement to redevelop the existing rest areas and State liquor stores into new full service area facilities with new State liquor stores. RFQ responses were received on September 24, 2012 and three firms were identified by the project's selection committee as qualified and invited to respond to a new RFP for the site's re-development. Proposals are due on January 15, 2013.

**New Bridges**

Five new bridges have been added and one single bridge discontinued on the Turnpike System as a result of the construction of the Spaulding Turnpike (NH 16) improvements. The bridges carry the Spaulding Turnpike over the mainline barrels and interchange ramps over the intersecting roads and water bodies. The new bridges completed in the Fall of 2011 and Spring of 2012 bring the total number of Turnpike bridges to 170. All of the new bridges are located in Rochester.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C.D. Clement, Sr.", with a stylized, cursive script.

Christopher D. Clement, Sr.  
Commissioner

## **ORGANIZATIONAL LISTING**

### **STATE OF NEW HAMPSHIRE**

#### **Governor**

John H. Lynch

#### **Executive Council**

Raymond S. Burton

Daniel St. Hilaire

Christopher T. Sununu

Raymond J. Wieczorek

David K. Wheeler

#### **State Treasurer**

Catherine A. Provencher

#### **Secretary of State**

William M. Gardner

#### **Attorney General**

Michael A. Delaney

### **NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION**

#### **Commissioner**

Christopher D. Clement, Sr.

#### **Assistant Commissioner**

David J. Brillhart, P.E.

#### **Deputy Commissioner**

Michael P. Pillsbury, P.E.

#### **Director of Operations**

William P. Janelle

#### **Director of Finance**

Patrick K. McKenna

#### **Financial Reporting Administrator**

Leonard L. Russell, CPA

#### **Turnpike System Administrator**

Christopher M. Waszczuk, P.E.

#### **Turnpike System Assistant Administrators**

John W. Corcoran, P.E. and David S. Smith, P.E.

#### **Business Administrator**

Margaret S. Blacker

#### **Maintenance Superintendent**

Dix E. Bailey

#### **Project Manager**

Nasser Yari, P.E.

**THE STATE OF NEW HAMPSHIRE  
DEPARTMENT OF TRANSPORTATION**



**CHRISTOPHER D. CLEMENT, SR.  
COMMISSIONER**



**JEFF BRILLHART, P.E.  
ASSISTANT COMMISSIONER**

December 26, 2012

**DEPARTMENT OF TRANSPORTATION  
DIVISION of FINANCE  
TRANSMITTAL LETTER**

The Turnpike System report is divided into four sections: Introductory, Financial, Other Supplementary Information and Statistical. The Introductory section includes a Turnpike System map, the Commissioner's letter, an organizational listing, and this transmittal letter. The Financial section contains the independent auditor's report, management's discussion and analysis (MD&A), and financial statements with accompanying notes. The Other Supplementary Information section includes a budget to actual schedule and note. The Statistical section includes other relevant financial and operational information.

Governmental Accounting Standards Board (GASB) Statement 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

The Turnpike System is also included within the State's Comprehensive Annual Financial Report. However, the report that follows presents all activities of the Turnpike System as a single enterprise fund and does not include data or information related to any other state agency or fund.

This Comprehensive Annual Financial Report (CAFR) may also be viewed on the State of New Hampshire Department of Transportation website located at <http://webster.state.nh.us/dot/media/publications.htm>.

**Budgetary Process**

The Turnpike System budget is prepared on a biennial basis. Prior to the start of each biennium, the Turnpike System is required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15<sup>th</sup> of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is then forwarded to the Governor to be enacted into law or to be vetoed.

Budgetary control for the Turnpike System is with the Department of Transportation. The Department is authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

**Internal Controls**

The Department of Transportation Commissioner and Directors are responsible for administering the agency in accordance with legislative and executive directives, to effectively service the citizens of the state and its transportation system.

Financial transactions are recorded in the New Hampshire FIRST Enterprise Resource Planning (ERP) system. The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions.

**Audits**

The State of New Hampshire, Office of Legislative Budget Assistant, has performed an independent audit of the Turnpike System's basic financial statements for the fiscal year ended June 30, 2012.

This annual audit is independent of any review required by the Single Audit Act of 1984. The Single Audit Act established uniform financial audit requirements for State and local governments that expend \$500,000 or more in Federal assistance in any fiscal year.

**Annual Report**

Each year, the Department publishes the New Hampshire Department of Transportation Annual Report, which contains a Department-wide overview of all funds and all activities. This report contains information on operations, financial, and other non-financial data. A copy of the report may be obtained at the Departments' web site at: <http://www.nh.gov/dot/media/publications.htm>.

**Acknowledgements**

In submitting this report, I acknowledge the cooperation and assistance of management and staff of the Department of Transportation, Turnpike System, and Division of Finance.

Respectfully submitted,

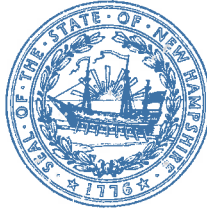


Patrick K. McKenna  
Director of Finance



## **FINANCIAL SECTION**

This section includes the independent auditor's report, management's discussion and analysis, the financial statements as of and for the fiscal year ended June 30, 2012 and the accompanying notes to the financial statements.



JEFFERY A. PATTISON  
Legislative Budget Assistant  
(603) 271-3161

MICHAEL W. KANE, MPA  
Deputy Legislative Budget Assistant  
(603) 271-3161

**State of New Hampshire**  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT  
State House, Room 102  
Concord, New Hampshire 03301

RICHARD J. MAHONEY, CPA  
Director, Audit Division  
(603) 271-2785

## **Independent Auditor's Report**

### *To The Fiscal Committee Of The General Court:*

We have audited the accompanying statement of net assets of the State of New Hampshire's Turnpike System (an enterprise fund of the State) as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Turnpikes System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Turnpike System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the operations of the Turnpike System, an enterprise fund of the State, and do not purport to, and do not, present the financial position of the State of New Hampshire as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Turnpike System as of June 30, 2012, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 16 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Turnpike System's basic financial statements. The Introductory, Other Supplementary Information, and Statistical Sections of this report are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012 on our consideration of the Turnpike System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Office of Legislative Budget Assistant

December 26, 2012

**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

The Management's Discussion and Analysis of the Turnpike System's financial performance provides an overview of financial activities for the fiscal year ended June 30, 2012. This section should be read in conjunction with the transmittal letter at the front of the Introductory Section and the Turnpike System financial statements, which follow this section.

**Financial Highlights**

- Total Net Assets increased by \$84.1 million or 21.8% to \$469.5 million. This increase is due to the reduction of outstanding principal on bonds and note payable of \$40.9 million as well as the addition of capital assets in Infrastructure and Construction in Progress (see below financial highlight on Net Capital Assets for detail on capital asset increase).
- Total Net Capital Assets increased by \$94.4 million or 13.6% over the prior year to \$791.1 million. The primary increase was due to a 32.3% or \$39.0 million increase in Construction in Progress due to the construction of the Little Bay Bridge in Newington, widening the Spaulding turnpike from Gosling Road to the Dover Tolls, and expansion from Exit 14 to Exit 15. Infrastructure increased by \$50.9 million or 7.1% to \$764.4 million primarily from two Manchester Airport access road bridges and two bridges on Route 101 in Exeter.
- The Turnpike System at June 30, 2012 had a \$35.6 million General Reserve Account in Cash and Cash Equivalents intended for capital construction projects, Renewal & Replacement costs, and I-95 Note Payable to the State Highway Fund, of which \$26.0 million (principal and interest) is payable within one year.
- Cash and Cash Equivalents decreased by \$37.9 million or 26.4% to \$105.5 million as all bond proceeds were spent by October 2011, and capital construction was paid from operating cash.
- Accounts Payable increased by \$7.1 million or 102.1% to \$14.0 million. Primarily due to increased construction activity at June 30, 2012.
- Total Operating Revenues were relatively flat and increased by \$1.3 million or 1.1% to \$119.9 million. The slight increase was due primarily to federal reimbursement for Renewal & Replacement expenses for painting costs incurred on the I-95 bridge.
- Total Operating Expenses decreased by \$4.7 million or 6.0% to \$73.0 million over prior year. This decrease was primarily due to a \$5.0 million decrease or 34.9% to \$9.3 million in Renewal & Replacement. The 2011 Renewal and Replacement expenditure increase of \$6.5 million was due to multi-year contractual obligations and available balances carried forward from prior years. Personnel Services and Payroll Benefits also decreased by approximately \$1.0 million due to the implementation of a "Lean Staffing Model" for Toll operations.

**Using this Report**

The Turnpike System is accounted for as an enterprise fund, reporting all of the Turnpike System's financial activity, assets and liabilities using the accrual basis of accounting much like a private business entity. As such, this annual report consists of financial statements, along with explanatory notes to the financial statements. The Statement of Net Assets on page 23 and the Statement of Revenues, Expenses and Changes in Net Assets on page 24, report the Turnpike's net assets and change in net assets. The Statement of Cash Flows on page 25 outlines the cash inflows and outflows and non-cash capital and related financing activities related to the activity of the Turnpike System.

**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**(I)**

**Statement of Net Assets Summary**

		(Amounts in thousands)	
		2012	2011
<u>Assets:</u>	Current Assets	\$ 113,041	\$ 149,871
	Non-Current Assets, Bond Issue Costs	2,528	3,056
	Net Capital Assets	791,078	696,666
	Total Assets	906,647	849,593
<u>Liabilities:</u>	Current Liabilities	79,383	62,356
	Non-Current Liabilities	357,756	401,838
	Total Liabilities	437,139	464,194
<u>Net Assets:</u>	Invested in Capital Assets, Net of Related Debt	394,826	259,448
	Restricted for Debt Repayments	44,999	44,885
	Restricted for Construction	0	13,434
	Restricted for Uninsured Risks	3,009	3,001
	Unrestricted Net Assets	26,674	64,631
	Total Net Assets	\$ 469,508	\$ 385,399

- Total Assets increased by \$57.0 million or 6.7% to \$906.6 million. Current assets decreased by \$36.8 million or 24.5% to \$113.0 million primarily due to the reduction of cash in the General Reserve and the Revenue Bond Cash Construction Account. Capital Assets (less depreciation and amortization) increased approximately \$94.4 million or 13.6%. See Note 4 for detail on Capital Asset activity and Note 11(b) for information on the Capital Improvement Program.
- Total Liabilities decreased by \$27.1 million or 5.8% to \$437.1 million. Current Liabilities increased by \$17.0 million or 27.3% to \$79.4 million primarily due to the increase in Accounts Payable and Deferred Revenue increase for the Seabrook US Route 107 bridge widening. Non-current liabilities decreased by \$44.1 million or 11.0% to \$357.8 million, due to the maturity of \$43.7 million of principal payments on the bonds and note. See Note 8(b) for details in changes in non-current liabilities.
- Total Net Assets increased by \$84.1 million or 21.8% to \$469.5 million. The increase in net assets is due mainly to the decrease in bonds and notes payable of \$40.9 million as well as the addition of capital assets in Infrastructure and Construction in Progress (see financial highlight on Net Capital Assets, page 16 for detail on capital asset increase).

**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**(II) Current Liabilities**

		(Amounts in thousands)	
		2012	2011
Accounts Payable	\$	13,997	\$ 6,926
Accrued Payroll		598	944
Due to Other Funds		3,703	0
Deferred Revenue		11,786	7,814
Revenue Bonds Payable		19,460	17,020
Note Payable to State Highway Fund		24,262	23,317
Accrued Interest Payable		4,834	5,346
Claims and Compensated Absences Payable		656	680
Other Liabilities		87	309
Total Current Liabilities	\$	79,383	\$ 62,356

- Current Liabilities consist primarily of accrued operating expenses, deferred revenue, and the current portion of bonds and notes payable. The increase in current liabilities of \$17.0 million or 27.3% to \$79.4 million in fiscal year 2012 is largely due to the increase of \$7.1 million in Accounts Payable, the \$3.7 million increase in Due to Other Funds, and the \$4.0 million increase in Deferred Revenue. The increase in Accounts Payable is due to largely in part to increased construction activity at June 30, 2012. Due to Other Fund's increase is to reimburse the State Highway Fund for federal match dollars incurred for Turnpike projects and the change in Deferred Revenue is primarily related to pre-payment by a third party to reimburse certain project expenses for the Seabrook US Route 107 bridge capacity improvements and repairs.

**(III) Change in Net Assets**

		(Amounts in thousands)	
		2012	2011
Operating Revenues	\$	119,939	\$ 118,688
Operating Expenses		(72,989)	(77,652)
Operating Income		46,950	41,036
Non-Operating (Expenses)		(9,627)	(13,515)
Change in Net Assets Before Capital Contributions		37,323	27,521
Capital Contributions		46,786	31,505
Change in Net Assets		84,109	59,026
Net Assets - July 1		385,399	326,373
Net Assets - June 30	\$	469,508	\$ 385,399

- The Turnpike System's primary revenues are generated from toll collections. The Central Turnpike generated net revenue of \$43.5 million; the Blue Star Turnpike \$58.8 million and the Spaulding Turnpike finished the year with \$14.5 million in net revenue. Another \$3.1 million was also generated in other income, including toll violation administrative fees, toll evasion fines, property damage reimbursement, federal revenue and miscellaneous revenue, for combined toll operating revenue of approximately \$119.9 million for the year ended June 30, 2012.
- Total Operating Expenses for the year decreased approximately \$4.7 million or 6.0% to \$72.9 million over the previous year. This decrease in operating expenses is largely due to: 1) a decrease in Renewal and Replacement (R&R) of \$5.0 million as a result of available balances brought forward from the prior year, 2.) an increase in depreciation of \$2.0 million and 3.) a \$1.0 million decrease in Personnel Services and Payroll Benefits due to less toll collection staff (results of implementation of a "Lean Staffing Model" for Toll operations) and increased E-ZPass collection processing.



**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

- Total Non-Operating Expenses decreased approximately \$3.9 million or 28.8% to \$9.6 million. The net decrease from fiscal year 2011 to 2012 was due to the expense recognized on the Hooksett Rest Area additional purchase capital transaction of \$2.1 million in fiscal year 2011 and a reduction in interest expense on bonds and the note.

***Turnpike System Revenue and Traffic Trends***

During the twelve months ended on June 30, 2012, the number of traffic transactions processed through the E-ZPass program was 65.9% of total transactions. The Hampton Open Road Tolling (ORT) plaza continues to lead the growth on the system reflecting a 2.5% increase in E-ZPass utilization over the previous year.

Effective July 1, 2009, the Governor and Council approved a toll increase at the Hampton Mainline of \$0.50 for single rear tire vehicles (classes 1-4) and by \$1.00 for dual rear tire vehicles (classes 5-12), in accordance with State laws RSA 237:9 and RSA 237:40.

In accordance with Chapter 143, State laws of 2009, the toll rate increase provided additional funds for the Turnpike System to acquire a bridge and 1.6-mile section of I-95 from the Portsmouth traffic circle to New Hampshire/Maine state-line and to implement ORT at Hampton. The toll rate increase also supports capacity improvements to the bridge carrying NH 107 over I-95 in Seabrook and the construction of a sound wall along I-95 in Portsmouth.

***Maintenance of the Turnpike System***

The Turnpike System (other than the Spaulding Turnpike extension, for which the Turnpike System is billed for maintenance performed by the Bureau of Highway Maintenance) is maintained and repaired by the Bureau of Turnpikes of the State Department of Transportation. All maintenance and repair costs have been funded from Turnpike operating revenues since the beginning of the Turnpike System in 1950. In addition, the State law RSA 237:15 authorizes the Turnpike System to set up an account to finance extension studies, maintenance, construction, reconstruction and extensions of the Turnpike System wherever located, interest on bonded indebtedness or retirement of bonded indebtedness or other costs which may be properly charged against these accounts or to the New Hampshire Turnpike System.

The contracted independent engineering consultant, HNTB, Inc. (HNTB) completed a review and assessment of the Renewal and Replacement Program in January 2012. The assessment provided recommendations on program funding levels and provided insight on the condition of the Turnpike infrastructure. Condition of the Turnpike facilities was determined through visual inspections of infrastructure (pavements, bridges, guardrail, drainage, signing, etc.). HNTB deemed the Turnpike facilities to be in "good" condition, characterized as a state whereby the various components are in appropriate working order to provide the necessary level of service and require only the anticipated minimal maintenance that would be expected for the life cycle of the facility. The HNTB assessment of the condition of the Turnpike facilities recommended funding for the Renewal & Replacement Program for fiscal years 2014 through 2019 of \$66.2 million, a reduction of approximately \$7.3 million over this same period from the previous recommended total. Major expenditures are planned for resurfacing, bridge rehabilitation, guardrail replacement, drainage repairs, bridge painting and toll plaza repairs.

For fiscal year 2010, 2011 and 2012 the Turnpike System actual expenses for Renewal & Replacement were \$7.8 million, \$14.3 million, and \$9.3 million respectively. For the fiscal year 2013, taking into account the analysis conducted by HNTB, the budget is \$9.8 million.

Appropriations for R&R expenditures do not lapse and are carried forward and made available in subsequent years.

***Winter Maintenance***

To enhance its anti-icing efforts, the Turnpikes System, in fiscal year 2011, began "pre-treating" roads through the use of brine, a water-salt mixture, and "pre-wetting" salt with anti-icing liquids to activate the salt more quickly, as well as reducing the bounce of the salt on the road surfaces. The Hampton maintenance facility was set up to make the brine with the installation of six 5,500-gallon storage tanks and brine-making equipment. A 3,000-gallon batch of brine can be made in about an hour. The brine pre-treating approach was used on I-95 (Blue Star Turnpike) and a lower section of the Spaulding Turnpike south of the Dover Tolls. The goals of using brine include safer roads, less environmental

**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

impact and reduced costs. Once fully implemented, it is anticipated that a savings of 20 – 25% or \$250 thousand annually will result from less salt usage. An additional brine manufacturing site is planned for the Merrimack maintenance facility in fiscal year 2014. The “pre-wetting” of salt involves a blend of 80% salt brine and 20% “Ice B’Gone”, a product made primarily of magnesium chloride and high fructose corn syrup. The Turnpike System also purchased a snow-blowing attachment for a front-end loader to clear snow from the 2,000-foot ORT lanes at the Hampton Tolls. The “Wasau-Everest WK-900” snow remover is capable of removing up to 1,500 tons of snow per hour, or approximately 20 tons per minute.

**Budget and Appropriation Process**

The Legislature meets annually, and adopts its budget every other year on a biennial basis. Prior to the beginning of each biennium, all departments of the State, including the Department of Transportation, are required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital expenditures, as well as estimates of their administration, operation and maintenance expenditure requirements for each fiscal year of the ensuing biennium.

As a Bureau of the State of New Hampshire Department of Transportation, the Turnpike System is included in the State of New Hampshire’s biennial operating budget. The Turnpike System’s official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. The Turnpike System’s budget consists primarily of salaries and benefits, maintenance, and expenses relative to snow removal and debt service.

The Commissioner of the Department of Administrative Services, who submits the summary to the Governor, summarizes capital expenditure requests. After holding public hearings and requesting further evaluation of selected projects by the Commissioner of the Department of Transportation, the Governor prepares a capital budget for submission to the Legislature.

In conjunction with the receipt of operating budget estimates, the Commissioner of the Department of Administrative Services prepares an estimate of the total income of the State for each fiscal year of the ensuing biennium. Based upon the expenditure estimates the Commissioner has received and the revenue projections the Commissioner has made, the Commissioner prepares a tentative budget for the ensuing biennium, which is transmitted to the Governor. The Governor then holds public hearings on the tentative operating budget and prepares the final budget proposal for submission to the Legislature setting forth the Governor’s financial program for the upcoming two fiscal years.

Once the budget becomes law, it represents the authorization for spending levels of each department of the State during the next two fiscal years.

***Capital Improvement Program***

Under the provisions of State law, New Hampshire Revised Statutes Annotated (RSA) 240, as amended by the Legislature, established a ten-year highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. State law RSA 237-A:2 authorized the issuance of \$766.0 million of revenue bonds to fund these projects.

The ten-year capital improvement program, adopted by the Legislature in 1986 and amended through 2012, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two years to address changing priorities. Depending on the scheduling of projects and availability of funding (e.g. excess toll revenues, bond proceeds), the Turnpike System capital improvement program expenditures during the ten-year plan period of 2013 – 2022 are expected to be in the range of \$320 - \$340 million, down from the prior range of \$560 - \$580 million as a result of the remaining project work authorized.

**New Hampshire Turnpike System  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Contacting the Turnpike System's Financial Management**

This financial report is designed to provide New Hampshire citizens, the Legislature and the Executive Branch of government, as well as other interested parties, a general overview of the Turnpike System's financial activity for fiscal year 2012 and to demonstrate the Turnpike System's accountability for the revenue it received from toll collections. If there are questions about this report or the need for additional information, contact the New Hampshire Department of Transportation, Division of Finance, John O. Morton Building, 7 Hazen Drive, Concord, NH 03302-0483.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW HAMPSHIRE**  
**DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM**  
**STATEMENT OF NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**  
(Amounts in thousands)

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 57,488
Cash and Cash Equivalents – Restricted	48,008
Accounts Receivable (Net of Allowances for Uncollectibles)	5,453
Due from Other Funds	616
Inventories	1,476
Total Current Assets	<u>113,041</u>

**Non-current Assets:**

Deferred Bond Issue Costs	2,528
Capital Assets:	
Land	112,519
Buildings	6,145
Equipment and Computer Software	39,057
Construction in Progress	159,803
Infrastructure	764,384
Less: Accumulated Depreciation	<u>(290,830)</u>
Net Capital Assets	<u>791,078</u>
Total Non-current Assets	<u>793,606</u>

**Total Assets**

906,647

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 13,997
Accrued Payroll	598
Due to Other Funds	3,703
Deferred Revenue	11,786
Revenue Bonds Payable	19,460
Note Payable to State Highway Fund	24,262
Accrued Interest Payable	4,834
Claims and Compensated Absences Payable	656
Other Liabilities	87
Total Current Liabilities	<u>79,383</u>

**Non-current Liabilities:**

Revenue Bonds Payable (Net of Unamortized Premium)	324,331
Note Payable to State Highway Fund	28,199
Claims and Compensated Absences Payable	2,458
Other Non-current Liabilities	2,768
Total Non-current Liabilities	<u>357,756</u>

**Total Liabilities**

437,139

**NET ASSETS**

Invested in Capital Assets (Net of Related Debt)	394,826
Restricted for Debt Repayments	44,999
Restricted for Uninsured Risks	3,009
Unrestricted Net Assets	26,674

**Total Net Assets**

\$469,508

*See accompanying notes to financial statements.*

**STATE OF NEW HAMPSHIRE**  
**DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**  
(Amounts in thousands)

**OPERATING REVENUES**

Toll Revenue – Cash	\$ 42,256
Toll Revenue – E-ZPass	74,588
Other Toll Operating Revenue	1,105
Transponder Revenue	716
Federal Revenue	1,274
<b>Total Operating Revenues</b>	<b><u>119,939</u></b>

**OPERATING EXPENSES**

Personnel Services	10,495
Payroll Benefits	5,531
Enforcement	4,890
Renewal & Replacement	9,320
Supplies, Materials & Other	3,423
Equipment & Repairs	3,659
Indirect Costs	2,521
Heat, Light and Power	1,269
Bank & Credit Card Fees	2,226
Rentals	589
E-ZPass Processing Fees	5,252
Transponder Expense	798
Depreciation and Amortization	23,016
<b>Total Operating Expenses</b>	<b><u>72,989</u></b>
Operating Income	<u>46,950</u>

**NON-OPERATING REVENUES (EXPENSES)**

Investment Income	130
Miscellaneous Income	3,420
Interest on Bonds and Note	(12,821)
Amortization on Bond Issuance Costs	(356)
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(9,627)</u></b>
<b>Change in Net Assets Before Capital Contributions</b>	<b>37,323</b>
Capital Contributions	46,786
<b>Change in Net Assets</b>	<b><u>84,109</u></b>
<i>Net Assets - July 1</i>	<u>385,399</u>
<i>Net Assets - June 30</i>	<u><u>\$ 469,508</u></u>

*See accompanying notes to financial statements.*



**STATE OF NEW HAMPSHIRE**  
**DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**  
(Amounts in thousands)

**Cash Flows from Operating Activities**

Receipts from Customers	\$ 121,626
Payments to Employees	(16,216)
Payments to Suppliers	(31,125)
Net Cash Provided by Operating Activities	<u>74,285</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisition and Construction of Capital Assets	(60,779)
Interest Paid on Revenue Bonds and Note Payable	(13,178)
Principal Paid on Bonds	(17,020)
Principal Paid on Note Payable Due State Highway Fund	(23,317)
Gross Proceeds from Refunding	46,311
Paid to Refunding Agent	(47,522)
Underwriters Discount	(237)
Build America Bonds Subsidy Receipt	3,131
Net Cash Used for Capital and Related Financing Activities	<u>(112,611)</u>

**Cash Flows from Investing Activities**

Other Income	419
Net Cash Provided by Investing Activities	<u>419</u>

Net Decrease in Cash and Cash Equivalents	<u>(37,907)</u>
---	-----------------

Cash and Cash Equivalents - July 1	<u>143,403</u>
Cash and Cash Equivalents - June 30	<u><u>105,496</u></u>

**Reconciliation of Operating Income to Net Cash Provided**

**(Used) by Operating Activities:**

Operating Income	46,950
------------------	--------

Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:	
Depreciation	23,016

Change in Operating Assets and Liabilities:

Increase in Receivables	(1,011)
Decrease in Inventories	304
Decrease in Prepaid	109
Increase in Accounts Payable and Other Accruals	945
Increase in Deferred Revenue	3,972
Net Cash Provided by Operating Activities	<u><u>\$ 74,285</u></u>

**Turnpike Non-Cash Capital and Related Financing Activities**

Capital Contributions	\$46,786
I-95 Bridge Paint Maintenance	\$1,274

*Above represents federal and highway participating funding of Turnpike System construction and maintenance projects.*

*See accompanying notes to financial statements.*

## Table of Contents – Notes to the Financial Statements

<b>1. Summary of Significant Accounting Policies.....</b>	<b>27</b>
a. Financial Reporting Entity .....	27
b. Measurement Focus and Basis of Accounting .....	27
c. Restricted Assets.....	27
d. Accounts Receivable .....	27
e. Cash Equivalents.....	27
f. Capital Assets .....	27
g. Revenue Bond Discounts/Premiums and Issuance Costs .....	28
h. Compensated Absences .....	28
i. Net Assets.....	28
j. Revenues and Expenses.....	28
k. E-ZPass Program .....	28
l. Inventory .....	28
m. Capital Contributions.....	28
n. Estimates.....	29
<b>2. Cash and Cash Equivalents.....</b>	<b>29</b>
<b>3. Restricted Assets .....</b>	<b>30</b>
<b>4. Capital Assets .....</b>	<b>31</b>
<b>5. Inter-fund Activity .....</b>	<b>32</b>
<b>6. Deferred Revenue.....</b>	<b>32</b>
<b>7. Operating and Capital Leases.....</b>	<b>32</b>
<b>8. Non-current Liabilities .....</b>	<b>32</b>
a. Bonds Authorized and Un-issued .....	32
b. Changes in Non-current Liabilities .....	33
c. Bonds – Debt Maturity.....	33
d. Revenue Bond Resolutions.....	34
e. Note Payable to State Highway Fund – Debt Maturity.....	34
f. Revenue Bond Refundings .....	35
g. Revenue Bond Issue .....	35
<b>9. Employee Benefit Plans .....</b>	<b>35</b>
a. Plan Description – New Hampshire Retirement System .....	35
b. Funding Policy.....	36
c. Health Care Insurance for Retired Employees.....	36
<b>10. Risk Management and Insurance .....</b>	<b>37</b>
a. Principle of Self-Insurance .....	37
b. Employee and Retiree Health Benefits .....	37
c. Workers Compensation.....	37
<b>11. Commitments .....</b>	<b>38</b>
a. E-ZPass Customer Service Contract.....	38
b. Capital Improvement Program.....	38
c. Maintenance.....	38
d. Litigation .....	38
<b>12. Future Revenues that are Pledged or Sold.....</b>	<b>38</b>
<b>13. Pollution Remediation Obligations.....</b>	<b>38</b>
<b>14. Accounting and Financial Reporting for Intangible Assets .....</b>	<b>39</b>
<b>15. Subsequent Event.....</b>	<b>39</b>

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**Note 1) Summary of Significant Accounting Policies**

The accompanying financial statements of the Turnpike System have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

**(a) Financial Reporting Entity**

The New Hampshire Turnpike System ("the Turnpike System") is a Bureau within the Division of Operations of the State of New Hampshire Department of Transportation. The Turnpike System is reported as an enterprise fund of the State of New Hampshire ("the State") and is included in the Comprehensive Annual Financial Report (CAFR) of the State. The Turnpike System itself has no component units included in its reporting entity. The Turnpike System constructs, maintains, and operates toll roads, including bridges over those roads and transaction facilities and issues revenue bonds, which are repaid from tolls and other revenues. State law New Hampshire Revised Statutes Annotated (RSA) 240, as amended, established a ten-year highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. State law RSA 237-A:2 authorized the issuance of \$766.0 million of revenue bonds to fund these projects.

**(b) Measurement Focus and Basis of Accounting**

The accounting policies of the Turnpike System conform to GAAP as applicable to government enterprise funds and, as such, the activities of the Turnpike System are reported using the economic resources, measurement focus and accrual basis of accounting. With respect to these activities, the Turnpike System has adopted applicable GASB pronouncements. The Turnpike System has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

**(c) Restricted Assets**

The proceeds of the Turnpike System Revenue Bonds, as well as certain resources set aside for their repayment (Revenue Bond Interest, Principal, and Debt Service Reserve Accounts, Bond Construction Proceeds, and Uninsured Risks) are classified as restricted assets on the Statement of Net Assets because their use is limited by a bond resolution.

**(d) Accounts Receivable**

Receivables primarily consist of outstanding E-ZPass toll violation administrative fees and E-ZPass reciprocity receipts. The accounts receivable balance as of June 30, 2012 is net of a \$1.9 million Allowances for Uncollectibles on toll violation fees of \$2.4 million.

**(e) Cash Equivalents**

Cash equivalents represent short-term investments with maturity dates within three months of the date acquired.

**(f) Capital Assets**

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets which are as follows: infrastructure – 50 years; buildings – 40 years; toll equipment – 10 years; and other equipment – 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets purchased or constructed by other funding sources are recorded at cost.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

***(g) Revenue Bond Discounts/Premiums and Issuance Costs***

Revenue bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred costs.

***(h) Compensated Absences***

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year. The State's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments rather than be taken as absences due to illness.

***(i) Net Assets***

The Invested in Capital Assets (Net of Related Debt) is a balance comprised of the capital assets (net of Accumulated Depreciation) less total Bonds and Note Payable (net of amortized premium, discount and loss on refunding). Restricted for Debt Repayments are the Revenue Bond Interest, Principal, and Debt Service Reserve Accounts. Other restricted accounts include Restricted for Construction and Restricted for Uninsured Risks. The Unrestricted Net Assets is the remaining balance.

***(j) Revenues and Expenses***

Revenues and expenses are classified as operating or non-operating. Operating revenues and expenses generally result from toll collections, the sale of transponders, toll violation administrative fees, administration, depreciation, and turnpike maintenance. Generally, all other revenues and expenses are reported as non-operating. Non-operating revenue generally results from the interest on investments, rental income, sales of land and equipment, and vending machine sales.

***(k) E-ZPass Program***

Upon enrolling in the E-ZPass program, participants establish pre-paid toll accounts. These pre-paid toll receipts are collected by Xerox State and Local Solutions, Inc., (Xerox), formerly Affiliated Computer Services (ACS), on behalf of the Turnpike System and recorded by the Turnpike System as deferred revenue until the customer completes a toll transaction. Once this occurs, revenue is recorded and the customer's account is charged. Vehicle transponders, which serve to identify the vehicles passing through the toll plazas, are purchased by the Turnpike System and shipped to customers by Xerox. The sale price a customer is charged for a transponder is the same approximate cost to the Turnpike System.

***(l) Inventory***

Inventories for materials and supplies are valued at cost. Included in the inventory amount are E-ZPass transponders. They are received and stored at the E-ZPass Customer Service Center, by Xerox, located in New Jersey and at walk-in E-ZPass Service Centers located in New Hampshire. Transponder inventories are reported monthly.

***(m) Capital Contributions***

The Turnpike System receives Federal Highway Administration (FHWA) grants through the State's Highway Fund for capital improvements, exclusive of R & R expenses. These are classified as Capital Contributions.

In fiscal year 2012, two bridges located over I-95 in Hampton, previously recorded as a non-Turnpike infrastructure asset, were transferred from the State Highway Fund and reclassified to the Turnpike System at a net carrying cost of \$5.6 million (\$6.9 million less accumulated depreciation of \$1.3 million).

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

In fiscal year 2012 and upon completion, the preliminary engineering and construction for two bridges and the widening of F.E. Everett from the Manchester Airport Access Road project were transferred from the State Highway Fund to the Turnpike System at a net carrying cost of \$28.3 million.

**(n) Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Note 2) Cash and Cash Equivalents**

Except for cash and investment accounts maintained separately in accordance with legal restrictions, the State pools cash and investments.

**Deposits** – The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits:

- State law RSA 6:7 established the policy the State Treasurer must adhere to when depositing public monies.
- Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

**Custodial Credit Risk:** The custodial risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered.

Custodial credit risk is managed in a variety of ways. Although State law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk. All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

The State does not hold any assets for the Turnpike System that is denominated in foreign currencies. Therefore, there is no foreign currency risk.

As of June 30, 2012, the Turnpike System's bank balances exposed to custodial credit risk is as follows:

(Amounts in thousands)

Type	Insured	Collateralized and Held in State's Name	Uncollateralized	Total
Certificates of Deposit	\$ 0	\$ 3,008	\$ 0	\$ 3,008
Demand Deposits	59,261			59,261
Money Market		35,643		35,643
<b>Total</b>	<b>\$ 59,261</b>	<b>\$ 38,651</b>	<b>\$ 0</b>	<b>\$ 97,912</b>

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation-insured depository institutions. The provisions are effective from December 31, 2010 to December 31, 2012. Therefore, the majority of Turnpike System deposits are insured at June 30, 2012.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

At June 30, 2012 the Turnpike System owned a \$6.5 million Federal Home Loan Bank note that matured on July 16, 2012. This investment is included in cash and cash equivalents on the Statement of Net Assets.

**Note 3) Restricted Assets**

The resolutions of the Turnpike System revenue bonds require the Turnpike System to maintain certain accounts (below). The Turnpike System deposits all revenues into a Turnpike System revenue account, which are then applied first to the payment of operating expenses and then to fund accounts required by the resolutions.

Restricted Assets at fair market value are segregated into the following accounts as of June 30, 2012:

(Amounts in thousands)	
Revenue Bond Interest Debt Service Account	\$ 4,310
Revenue Bond Principal Debt Service Account	7,355
Revenue Bond Debt Service Reserve Account	33,334
Revenue Bond Insurance Reserve Account	3,009
Revenue Bond Cash Construction Account	0
<b>Total Restricted Assets</b>	<b>\$ 48,008</b>

The Revenue Bond Interest Debt Service Account and Revenue Bond Principal Debt Service Account are used to segregate resources accumulated for debt service payments on given maturity dates. See Note 8(c), Bonds-Debt Maturity. The Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up potential future deficiencies in the Revenue Bond Interest Debt Service Account and Revenue Bond Principal Debt Service Account. The Revenue Bond Insurance Reserve Account is used to report the amount that is available to insure against risks that would not otherwise be covered by policies of insurance. Approximately \$35.6 million of Cash and Cash Equivalents at June 30, 2012 is in a General Reserve Account intended to be used for capital construction projects and I-95 Note Payable to the State Highway Fund. As of June 30, 2012, the Turnpike System had no bond proceeds remaining in a Revenue Bond Cash Construction Account to fund construction costs.

In addition to the above accounts, a Revenue Bond Special Redemption Account would be used to report any monies not otherwise required by the bond resolution to be deposited or applied, including excess proceeds after the completion of a project. A Revenue Bond Rebate Account also would be used to report any excess of interest earned on non-purpose investments (as defined in section 148 of the Internal Revenue Code of 1986, as amended). There were no balances in these accounts as of June 30, 2012.

JP Morgan Chase Bank, N.A., pursuant to a 1995 agreement which expires April 1, 2020, owns the exclusive right, to deliver eligible securities as an investment of a portion of the monthly deposits to the Revenue Bond Interest and Principal Debt Service Accounts.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**Note 4) Capital Assets**

Capital Asset activity for the year ended June 30, 2012 was as follows:

(Amounts in thousands)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers /Reclass</b>	<b>Ending Balance</b>
Capital Assets not Being Depreciated:					
Land and Land Improvements	\$ 108,783	\$ 3,246	\$ 0	\$ 490	\$ 112,519
Construction in Progress	120,785	75,453	(68)	(36,367)	159,803
Total Capital Assets not Being Depreciated:	229,568	78,699	(68)	(35,877)	272,322
Other Capital Assets:					
Equipment and Computer Software	37,372	1,837	(771)	619	39,057
Buildings and Building Improvements	6,994	0	(1,232)	383	6,145
Infrastructure	713,456	100	(22,203)	73,031	764,384
Subtotal Other Capital Assets	757,822	1,937	(24,206)	74,033	809,586
Total Capital Assets	987,390	80,636	(24,274)	38,156	1,081,908
Less Accumulated Depreciation for:					
Equipment and Computer Software	(28,761)	(4,304)	771	(46)	(32,340)
Buildings and Building Improvements	(3,178)	(245)	1,233	0	(2,190)
Infrastructure	(258,785)	(18,467)	20,906	46	(256,300)
Total Accumulated Depreciation	(290,724)	(23,016)	22,910	0	(290,830)
<b>Total Net Capital Assets</b>	<b>\$ 696,666</b>	<b>\$ 57,620</b>	<b>\$ (1,364)</b>	<b>\$ 38,156</b>	<b>\$ 791,078</b>

At June 30, 2012, the Turnpike System had contractual commitments for capital Turnpike System improvement projects of \$79.9 million.

In accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. In fiscal year 2012, interest cost that was capitalized amounted to \$8.9 million, net of \$1,684 in interest income.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**Note 5) Inter-fund Activity**

In fiscal year 2012, expenses were incurred due to work performed by other state agencies for the Turnpike System. Enforcement expenses of \$4.9 million from the New Hampshire Department of Safety, and bridge maintenance, sign crew, pavement marking, engineering services, and mechanical services from the Department of Transportation Highway Bureau of \$1.7 million, accounted for the majority of inter-fund activity. Operations of the Seabrook Welcome Center performed by the New Hampshire Department of Resources & Economic Development amounted to \$1.2 million (funding provided by the Turnpike Fund).

**Note 6) Deferred Revenue**

Deferred Revenue primarily consists of prepaid toll monies received from customers on their transponder accounts. Revenue is recognized when the customer uses the E-ZPass toll system on the turnpike. In fiscal year 2012, Deferred Revenue included \$8.6 million in pre-paid tolls as well as \$3.2 million of funds received from municipalities and developers to support their share of construction improvements.

**Note 7) Operating and Capital Leases**

The Turnpike System had no operating or capital leases for the fiscal year.

**Note 8) Non-current Liabilities**

**(a) Bonds Authorized and Un-issued**

Bonds authorized and un-issued amounted to \$221.0 million of revenue bonds at June 30, 2012. The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Governor and Executive Council to issue up to \$766.0 million of bonds to support this plan. As of June 30, 2012, the State had issued \$545.0 million of revenue bonds for this plan.

Also, in November 2009, the Turnpike System issued \$150.0 million of new American Recovery and Reinvestment Act (ARRA) - Build America Bonds. This program provides a subsidy to the Turnpike System through the State, on interest paid, which is taxable to the bond investors. Proceeds from the November 2009 ARRA bonds issuance are restricted to only fund costs on the following capital projects:

**Central Turnpike**

- Engineering and construction of a bridge over the Souhegan River in Merrimack.
- Engineering, right-of-way acquisition, and construction of US Route 3 bridge in Bedford.
- Engineering and rehabilitation of four I-93 bridges in Bow and Concord.
- Engineering and construction, specifically on five bridges through the Millyard area of Manchester.
- Engineering and construction of a bridge over Black Brook in Manchester.

**Spaulding Turnpike**

- Engineering, right-of-way acquisition and construction in Rochester between Exits 11 through 16 with two additional lanes of travel added from Exit 12 to 16 (totaling approximately 18 new lane miles).
- Engineering and right-of-way acquisition in Newington and Dover including widening Little Bay Bridges and reconstructing a section in Newington.
- Construction of the Dover portion of the Spaulding Turnpike and rehabilitation of the General Sullivan Bridge in Dover.

**Blue Star Turnpike**

- Engineering and construction of the bridge carrying I-95 over the Taylor River in North Hampton and Hampton.
- Repair and improve bridge on US Route 107 over I-95 in Seabrook.
- Construction of a sound-wall on I-95 in Portsmouth.



**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**System-wide**

- Implementation of Open Road Tolling at the Town of Hampton (complete and open to traffic), Hooksett and Bedford.

All proceeds from the issuance have been fully expended as of June 30, 2012.

**Turnpike System Bond Ratings**

Bond ratings assigned to the Turnpike System are as follows:

- Fitch Ratings ~ A (stable)
- Moody's Investors Service ~ A1 (positive)
- Standards & Poor's ~ A+ (stable)

**(b) Changes in Non-current Liabilities**

The following is a summary of the changes in liabilities for bonds, compensated absences, and uninsured claims during the fiscal year:

(Amounts in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long- Term
Note Payable to State Highway Fund	\$ 75,778	\$ 0	(\$23,317)	\$ 52,461	\$ 24,262	\$ 28,199
Claims and Compensated Absences Payable	3,067	47	0	3,114	656	2,458
Revenue Bonds	361,440	46,311	(63,960)	343,791	19,460	324,331
Other: Pollution Remediation	2,879	337	(361)	2,855	87	2,768
<b>Total</b>	<b>\$ 443,164</b>	<b>\$ 46,695</b>	<b>(\$87,638)</b>	<b>\$ 402,221</b>	<b>\$ 44,465</b>	<b>\$ 357,756</b>

**(c) Bonds - Debt Maturity**

Bonds of the Turnpike System consist of revenue bonds (including ARRA Bonds). Interest rates on Turnpike System revenue bonds range from 3.0% to 6.3%. The annual maturities are as follows:

(Amounts in thousands)

Payable June 30,	General Obligation Principal	General Obligation Interest	Revenue Principal	Revenue Interest	Revenue Interest Rebate	Net Interest	Total Principal	Total Interest	Total Rebate
2013	\$0	\$0	\$19,460	\$17,811	(\$3,131)	\$14,680	\$19,460	\$17,811	(\$3,131)
2014	0	0	16,380	16,911	(3,131)	13,780	16,380	16,911	(3,131)
2015	0	0	21,565	16,195	(3,131)	13,064	21,565	16,195	(3,131)
2016	0	0	18,170	15,193	(3,131)	12,062	18,170	15,193	(3,131)
2017	0	0	26,405	14,378	(3,131)	11,247	26,405	14,378	(3,131)
2018 thru 2022	0	0	76,745	57,313	(15,638)	41,675	76,745	57,313	(15,638)
2023 thru 2027	0	0	60,415	38,746	(13,189)	25,557	60,415	38,746	(13,189)
2028 thru 2032	0	0	42,460	23,261	(8,141)	15,120	42,460	23,261	(8,141)
2033 thru 2037	0	0	34,075	12,627	(4,420)	8,207	34,075	12,627	(4,420)
2038 thru 2042	0	0	24,245	2,223	(778)	1,445	24,245	2,223	(778)
Subtotal	0	0	339,920	214,658	(57,821)	156,837	339,920	214,658	(57,821)
Un-amortized Premium	0	0	10,954	0	0	0	10,954	0	0
Un-amortized Loss on Refunding	0	0	(7,083)	0	0	0	(7,083)	0	0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$343,791</b>	<b>\$214,658</b>	<b>(\$57,821)</b>	<b>\$156,837</b>	<b>\$343,791</b>	<b>\$214,658</b>	<b>(\$57,821)</b>

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

***(d) Revenue Bond Resolutions***

All revenue bonds are secured by a pledge of substantially all Turnpike System revenues and monies deposited into accounts created by the bond resolutions, subject only to the payment of operating expenses.

The bond resolutions require the Turnpike System to establish and collect tolls which are adequate at all times, when combined with other available sources of revenues, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal and interest on all bonds, notes, or other evidences of indebtedness.

The resolutions further require the Turnpike System to collect sufficient tolls so that in each fiscal year net revenues as defined by the resolutions will be at least equal to the greater of: (a) 120% of current year debt service on the revenue bonds, or (b) 100% of current year debt service on the revenue bonds and on all general obligation or other bonds, notes or other indebtedness, and the additional amount, if any, required to be paid from the revenue bond general reserve account to satisfy the Renewal & Replacement (R&R) requirement for the fiscal year.

The resolutions further require the Turnpike System to request payment from the Revenue Bond Construction Account and an Authorized Officer shall sign a written order and file the request with the Treasurer.

The Turnpike System is required to review the adequacy of its tolls after each fiscal year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described above, then the Independent Engineer of the Turnpike System will make a study and recommend a schedule of tolls and charges which will provide revenues sufficient to comply with the requirements described above. For fiscal year 2012, the toll rate schedule was deemed to be sufficient to meet all required payments in connection with the Turnpike System, and as such, no Independent Engineer's study was necessary.

The resolutions establish an R&R requirement with respect to each fiscal year. R&R costs consist of rehabilitation, renewals, replacements, and extraordinary repairs necessary for the sound operation of the Turnpike System or to prevent loss of revenues, but not costs associated with new construction, additions or extensions.

The Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions.

***(e) Note Payable to State Highway Fund - Debt Maturity***

In fiscal year 2010, the Turnpike System acquired the I-95 Piscataqua River Bridge and 1.6-mile segment of I-95. The Turnpike System executed a Long-Term Note Payable with payments to be made to the State Highway Fund. Interest is at the State's borrowing rate over a maximum period of 20 years. The State interest rate in effect at June 30, 2012 on the note was 4%. However, under the terms of the note and as prescribed by law, the Commissioner of Transportation and the State Treasurer may agree from time to time to modify the payment schedule with respect to payments due to the State Highway Fund from and after July 1, 2011. In fiscal year 2011, the Commissioner and Treasurer did agree to such a modification of the payment schedule.

The revised annual maturities are as follows:

(Amounts in thousands)

<b>Payable June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt</b>
2013	\$ 24,262	\$ 1,738	\$ 26,000
2014	4,814	1,056	5,870
2015	5,009	861	5,870
2016	5,213	657	5,870
2017	5,425	446	5,871
2018 thru 2019	7,738	253	7,991
<b>Total</b>	<b>\$ 52,461</b>	<b>\$ 5,011</b>	<b>\$ 57,472</b>

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

During fiscal year 2012, a note payment of \$26.0 million (including \$2.7 million in interest) was made to the State Highway Fund. For fiscal year 2013, the note payment to the State Highway Fund is budgeted at \$26.0 million.

***(f) Revenue Bond Refundings***

On July 27, 2011, the State issued \$42.1 million of Turnpike System revenue refunding bonds. The interest rates on these new bonds are 4% and 5%. The closing date for this bond issue was January 5, 2012. At closing, the \$47.5 million in net proceeds from the issuance was placed in an irrevocable trust to provide for all future debt service payments on the old bonds. This refunding transaction will result in a cash savings of \$5.4 million over the next 9 years and an 8.14% net present value savings of \$3.7 million.

On February 23, 2012, the State issued \$65.4 million of Turnpike System revenue refunding bonds. The interest rates on these new bonds are 5%. The closing date for this bond issue was November 5, 2012. This refunding transaction will result in a cash savings of \$9.45 million over the next 12 years and a 10.17% net present value savings of \$7.4 million.

***(g) Revenue Bond Issue***

On August 22, 2012, the State issued \$110.2 million of Turnpike System revenue bonds. The interest rates on these new bonds are 3 to 5%. The closing date for this bond issue was August 30, 2012. Proceeds of \$112.0 million were placed in the Construction Account and the net remaining proceeds of \$6.5 million were deposited to the Debt Service Reserve Account. Interest on these bonds will be paid on February 1 and August 1 of each year, commencing February 1, 2013.

**Note 9) Employee Benefit Plans**

***(a) Plan description - New Hampshire Retirement System***

The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by State law RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire.

Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012 and five years for members not vested on January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

years of creditable service. However, the allowance will be reduced by  $\frac{1}{4}$  of one percent for each month prior to age 52.5 that the member receives the allowance.

All Turnpike System employees are members of Group I.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to State laws RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account was established by State law RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus  $\frac{1}{2}$  of 1 percent.

In fiscal year 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10  $\frac{1}{2}$  percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

In fiscal year 2011, two pieces of legislation passed that impacted the special account. The first required an \$89.0 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other, required the balance remaining in the special account, less funds set aside to comply with the temporary supplemental allowances required by State law RSA 100-A:41-d,III, to be transferred to the respective components of the state annuity accumulation fund, effective June 30, 2011. This resulted in an additional transfer from the special account to the State annuity accumulation fund totaling \$167.3 million. In fiscal year 2012, legislation was passed that repealed the special account.

The New Hampshire Retirement System issues publicly, financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

***(b) Funding Policy***

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. In fiscal year 2012, by statute, Group I members contributed 7.0% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the System's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll and paid by the employer. The Turnpike System's share represents 100% of the employer cost for all Turnpike System employees.

Chapter 224, Laws of 2011 (House Bill 2) directed the Board of Trustees of the New Hampshire Retirement System to recalculate employer contribution rates for the State fiscal years 2012 and 2013 to reflect the requirements of amendments to State law RSA 100-A in the 2011 legislative session, which resulted in the use of two different contribution rates paid by the Turnpike System during 2012. The Turnpike system's normal contribution rate was 12.31% of the covered payroll for Group I employees from July 1, 2011 thru July 31, 2011 and 10.08% from August 1, 2011 through June 30, 2012.

The Turnpike System's contributions to the state fund for the years ended June 30, 2012, 2011, and 2010, were \$1,042,000, \$609,000, and \$663,000, respectively, which equaled the required contributions for each year.

***(c) Health Care Insurance for Retired Employees***

In addition to providing pension benefits, State law RSA 21-I:30 specifies that the State provide certain health care insurance benefits for retired employees and their spouses within the limits of the funds appropriated at each legislative session. These benefits include group hospitalization, hospital medical care, and surgical care.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

Substantially all of the state's employees who were hired on or before June 30, 2003 may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State group I employees hired on or after July 1, 2003 to have 20 years of state service and are at least 60 years of age at the time of retirement in order to qualify for retiree health insurance benefits. These and similar benefits for active employees are authorized by State law RSA 21-I: 30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer defined benefit plan, which is the State's self-insurance fund implemented in October 2003 for active state employees and retirees. The State recognizes the cost of providing these benefits on a pay-as-you-go basis by paying actuarially determined contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees. The Turnpike System Medical Subsidy normal contribution for the year ended June 30, 2012 was \$237,000 of the covered payroll for its Group I Employees.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The State's long-term cost of retirement health care and OPEB are determined actuarially on a statewide basis as required under GASB 45. The most recent Actuarial Valuation was performed as of December 31, 2010. Disclosure of the annual OPEB cost, funding status, net OPEB obligation the components of cost and other information concerning the plan are provided in the State of New Hampshire Comprehensive Annual Financial Report.

**Note 10) Risk Management and Insurance**

***a) Principle of Self-Insurance***

The Turnpike System is exposed to various risks of loss, related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. Should risk assessment indicate that commercial insurance is economical and beneficial for the State or general public, the State may elect to purchase insurance. Settled claims, under the insurance program, have not exceeded insurance coverage in any of the last three years.

***b) Employee and Retiree Health Benefits***

The State has established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. The State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, State law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

***c) Workers Compensation***

The State is self-insured for its workers compensation, retaining all of the risk associated with claims. The State utilizes an actuarial study that provides an updated estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trend and other relevant claim characteristics based on the state's historical loss experience.

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The following table presents the changes in Turnpike System workers compensation claim liabilities in the State Employee Benefit Risk Management Fund during the fiscal years ended June 30, 2011 and 2012:

(Amounts in thousands)

	6/30/2010 Balance	Increases	Decreases	6/30/2011 Balance	Increases	Decreases	6/30/2012 Balance	Current	Long- Term
<b>Total</b>	\$1,900	\$541	(\$451)	\$1,990	\$383	(\$384)	\$1,989	\$353	\$1,636

**Note 11) Commitments**

**(a) E-ZPass Customer Service Contract**

Upon inception of the E-ZPass program, the Turnpike System entered into a 3-year contract, renewable through 2016, with Xerox State and Local Solutions, Inc., (Xerox), formerly Affiliated Computer Services (ACS), located in Newark, NJ, to process E-ZPass transactions. In September 2010, the contract with Xerox (then ACS) was renewed for an additional year for an amount not to exceed \$6.0 million. In August of 2011, a final contract renewal option with Xerox was approved in an amount not to exceed \$28.1 million for a professional services agreement for operation of the NH E-ZPass Customer Service Center from October 1, 2011 to September 30, 2016.

**(b) Capital Improvement Program**

The ten-year capital improvement program, adopted by the Legislature in 1986 and amended through 2022, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two years to address changing priorities.

**(c) Maintenance**

The Turnpike System (other than the Spaulding Turnpike extension) is maintained and repaired by the Bureau of Turnpikes. All maintenance and repair costs have been funded from Turnpike operating revenues since the beginning of the Turnpike System in 1950.

**(d) Litigation**

The Turnpike System is involved in certain lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury, property damage and disputes over eminent domain proceedings. In the opinion of the State Attorney General's Office, payment of claims by the Turnpike System for amounts not covered by insurance in the aggregate, are not expected to have a material adverse effect on the Turnpike's financial position. However, there is a case pending, Granite Commercial Real Estate, LLC ("GCRE") v. NH Dept. of Transportation, et al. The ongoing litigation relative to the right to know request by GCRE is regarding the scoring and evaluation of Request For Proposal 2011-065, "Hooksett Rest Area Redevelopment Project".

**Note 12) Future Revenues that are Pledged or Sold**

GASB Statement No. 48, Disclosures Related to Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, is a standard that makes a basic distinction between sales of receivables and future revenues on one hand and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing). In accordance with revenue bond covenants, revenues received are pledged to secure the payment of the principal or redemption price of and interest on the bonds and the performance of the undertakings of the State in the General Bond Resolution, subject only to the application of revenues for the payment of operating expenses in accordance with the terms of the Resolution (see Note 8 (d) for further detail regarding Revenue Bond Resolutions). The bonds are equally and ratably secured by the pledge, and the undertakings of the State in the Resolution are for the equal and proportional benefit of the Bondholders, except as otherwise expressly provided in the Resolution.

**Note 13) Pollution Remediation Obligations**

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations (PRO), requires governments to reasonably determine potential polluted sites and provides guidance regarding when to recognize PRO as a liability. During fiscal year 2009, the Turnpike System sold a portion of land in Hudson (formerly known as Benson's) known to be contaminated with hazardous waste. As part of the sale, the Turnpike

**New Hampshire Turnpike System  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012**

System agreed to remediate the hazardous waste at the site. For this pollution remediation obligation, the Turnpike System recognized a liability of \$3.0 million at June 30, 2009, which was reduced to \$2.2 million at June 30, 2010. This was a result of a re-estimate by an independent consulting firm. During fiscal year 2012, a PRO payment of \$90,223 was expended.

During fiscal year 2012, the Turnpike System recognized a PRO payment of \$262,389 which related to contaminated soil at a project site located in the city of Rochester. On June 30, 2012, the pollution obligation for this project is zero dollars.

During fiscal year 2012, the Turnpike system recognized an additional PRO liability of \$152,638 due to soil testing requirements at a project site located in the Newington-Dover area. An additional PRO liability of \$73,850 was also added for the Dover Garage due to soil and groundwater testing requirements.

**Note 14) Accounting and Financial Reporting for Intangible Assets**

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, is a standard that characterizes an intangible asset, as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. Specific to the Turnpike System, easements with an indefinite useful life have been historically classified as land.

Temporary easements expire when a project is closed. Temporary easements are considered a project cost. If the project is capitalized, then the cost will be part of Infrastructure and will be amortized over 50 years. If the project is expensed, the easement cost will be expensed.

The effect of this GASB Statement on the financial statements is recognized, but immaterial.

**Note 15) Subsequent Event**

On August 22, 2012, the State issued \$110.2 million of Turnpike System revenue bonds. The interest rates on these new bonds are 3 to 5%. The closing date for this bond issue was August 30, 2012. Proceeds of \$112.0 million were placed in the Construction Account and the net remaining proceeds of \$6.5 million were deposited to the Debt Service Reserve Account. Interest on these bonds will be paid on February 1 and August 1 of each year, commencing February 1, 2013.

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

(Unaudited)

This section includes the budget to actual comparison and accompanying note.



**New Hampshire Turnpike System  
Other Supplementary Information  
For the Fiscal Year Ended June 30, 2012**

<b>State of New Hampshire</b> <b>Department of Transportation - Turnpike System</b> <b>Budget to Actual (Non-GAAP Budgetary Basis) Schedule</b> <b>For the Fiscal Year Ended June 30, 2012</b> (Amounts in thousands)			
	Budgeted <sup>1</sup>	Actual	Variance
	Original	Budgetary Basis	Favorable (Unfavorable) with Budget
<b><u>Revenues</u></b>			
<b><i>Restricted</i></b>			
Transponder Sales	\$ 0	\$ 707	\$ 707
FEMA Reimbursement		45	45
Bonds Interest Subsidy	3,131	3,131	0
Vending Machine Income		14	14
<b><i>Total Restricted Revenue</i></b>	3,131	3,897	766
<b><i>Unrestricted</i></b>			
Spaulding Toll Cash Receipts	5,490	5,308	(182)
Blue Star Toll Cash Receipts	21,750	20,051	(1,699)
Central NH Toll Cash Receipts	15,800	16,800	1,000
Property Damage	10	118	108
Miscellaneous	30	202	172
Administration Fees - Electronic Toll Collection		11	11
Toll Evasion	8	17	9
Lottery Vending	11	14	3
Rental Income	90	30	(60)
Cash Management Interest	30	111	81
Combined Debt Service Interest		13	13
Insurance Reserve Interest		8	8
Debt Service Principal			0
Construction Account Interest 2009		1	1
Transponder Lease to Own		9	9
Statement Fee Revenue	33	31	(2)
Violation Enforcement System Admin Fees Less than 30 Days	665	714	49
Violation Enforcement System Admin Fees Over 30 Days	3		(3)
Central Toll E-ZPass Revenue	24,170	26,536	2,366
Blue Star Toll E-ZPass Revenue	32,600	38,811	6,211
Spaulding Toll E-ZPass Revenue	8,230	9,242	1,012
Truck Rental		3	3
Right-of-Way Property Sales		11	11
<b><i>Total Unrestricted Revenue</i></b>	108,920	118,041	9,121
<b>Total Revenue</b>	\$ 112,051	\$ 121,938	\$ 9,887

<sup>1</sup> Budgeted Final Revenue not available at Report date.

See accompanying Independent Auditor's Report.

**New Hampshire Turnpike System  
Other Supplementary Information  
For the Fiscal Year Ended June 30, 2012**

State of New Hampshire Department of Transportation - Turnpike System Budget to Actual (Non-GAAP Budgetary Basis) Schedule For the Fiscal Year Ended June 30, 2012 (Amounts in thousands)	Budgeted		Actual	Variance
	Original	Final	Budgetary Basis	Favorable (Unfavorable) with Final Budget
<b>Expenditures</b>				
Welcome Centers and Rest Area Operations				
I-95 Bridge Purchase Repayment	\$ 26,000	\$ 26,000	\$ 2,684	\$ 23,316
Administration and Support	7,971	8,164	7,412	752
Renewal and Replacement	9,200	9,200	7,253	1,947
Central Operations	5,891	5,709	5,002	707
Central Maintenance	5,108	5,055	3,407	1,648
East NH Turnpike Blue Star Operations	3,891	3,798	2,994	804
East NH Turnpike Blue Star Maintenance	2,453	2,429	1,906	523
East NH Turnpike Spaulding Operations	2,091	2,017	1,693	324
East NH Turnpike Spaulding Maintenance	1,829	1,800	1,331	469
Toll Collection	10,120	10,120	9,275	845
Turnpike Debt Service	36,000	36,000	36,459	(459)
Transponder Inventory Fund		100	530	(430)
Retirees Health Insurance	1,071	1,071	1,042	29
Workers Compensation	400	400	340	60
Unemployment Compensation	26	32	32	0
<b>Total Expenses before Capital Expenses</b>	<b>112,051</b>	<b>111,895</b>	<b>81,360</b>	<b>30,535</b>
<b>Capital Expenses</b>				
RSA 237:2 I Blue Star Memorial			1,656	(1,656)
RSA 237:2 III Central NH Turnpike			174	(174)
RSA 237:2 VII Central NH Turnpike			11,658	(11,658)
Toll Collection Equipment			1,292	(1,292)
Spaulding Turnpike Second Barrel			25,174	(25,174)
Spaulding Turnpike/US 4/NH 16			12,903	(12,903)
<b>Total Capital Expenses</b>	<b>0</b>	<b>0</b>	<b>52,857</b>	<b>(52,857)</b>
<b>Total Expenses</b>	<b>112,051</b>	<b>111,895</b>	<b>134,217</b>	<b>(22,322)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 0</b>	<b>-</b>	<b>\$ (12,279)</b>	<b>-</b>

The Note to Other Supplementary Information is an integral part of this schedule.

<sup>1</sup> Budgeted Final Revenue not available at Report date.

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Note to Other Supplementary Information**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

**1) Budget Control**

The Laws of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the two years, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues; Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government; and Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The Turnpike System operating budget is prepared principally on a modified cash basis and adopted for enterprise funds, with the exception of Capital Project appropriations. The Capital Projects budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the Budget to Actual Non-GAAP Budgetary Basis Schedules.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. The Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

**STATISTICAL SECTION**  
**(Unaudited)**

This section includes other relevant financial and operational information.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM STATEMENT OF NET ASSETS Comparative Fiscal Years Ended June 30 (Amounts in thousands)							
	Change 2012 versus 2011			Change 2011 versus 2010			
	2012	\$	%	2011	\$	%	2010
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$ 57,488	\$ (24,595)	-30.0%	\$ 82,083	\$ 4,617	6.0%	\$ 77,466
Cash and Cash Equivalents – Restricted	48,008	(13,312)	-21.7%	61,320	(47,681)	-43.7%	109,001
Accounts Receivable (Net of Allowances for Un-collectibles)	5,453	892	19.6%	4,561	(749)	-14.1%	5,310
Due from Other Funds	616	598	3322.2%	18	18	100.0%	0
Inventories	1,476	(304)	-17.1%	1,780	853	92.0%	927
Prepaid Assets	0	(109)	-100.0%	109	(5)	-4.4%	114
Total Current Assets	113,041	(36,830)	-24.6%	149,871	(42,947)	-22.3%	192,818
<b>Non-current Assets:</b>							
Deferred Bond Issue Costs	2,528	(528)	-17.3%	3,056	(194)	-6.0%	3,250
Capital Assets:							
Land	112,519	3,736	3.4%	108,783	32	0.0%	108,751
Buildings	6,145	(849)	-12.1%	6,994	2,163	44.8%	4,831
Equipment and Computer Software	39,057	1,685	4.5%	37,372	205	0.6%	37,167
Construction in Progress	159,803	39,018	32.3%	120,785	44,027	57.4%	76,758
Infrastructure	764,384	50,928	7.1%	713,456	42,310	6.3%	671,146
Less: Accumulated Depreciation	(290,830)	(106)	0.0%	(290,724)	(19,916)	7.4%	(270,808)
Net Capital Assets	791,078	94,412	13.6%	696,666	68,821	11.0%	627,845
Total Non-current Assets	793,606	93,884	13.4%	699,722	68,627	10.9%	631,095
<b>Total Assets</b>	906,647	57,054	6.7%	849,593	25,680	3.1%	823,913
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts Payable	13,997	7,071	102.1%	6,926	379	5.8%	6,547
Accrued Payroll	598	(346)	-36.7%	944	(18)	-1.9%	962
Due to Other Funds	3,703	3,703	100.0%	0	(45)	-100.0%	45
Deferred Revenue	11,786	3,972	50.8%	7,814	339	4.5%	7,475
General Obligation Bonds Payable - Current	0	0	0.0%	0	(584)	-100.0%	584
Revenue Bonds Payable	19,460	2,440	14.3%	17,020	(130)	-0.8%	17,150
Note Payable to State Highway Fund	24,262	945	4.1%	23,317	7,967	51.9%	15,350
Accrued Interest Payable	4,834	(512)	-9.6%	5,346	(1,572)	-22.7%	6,918
Claims and Compensated Absences Payable	656	(24)	-3.5%	680	223	48.8%	457
Other Liabilities	87	(222)	-71.8%	309	249	415.0%	60
Total Current Liabilities	79,383	17,027	27.3%	62,356	6,808	12.3%	55,548
<b>Non-current Liabilities:</b>							
Revenue Bonds Payable (Net of Unamortized Premium)	324,331	(20,089)	-5.8%	344,420	(16,670)	-4.6%	361,090
Note Payable to State Highway Fund	28,199	(24,262)	-46.2%	52,461	(23,316)	-30.8%	75,777
Claims and Compensated Absences Payable	2,458	71	3.0%	2,387	(159)	-6.2%	2,546
Other Non-current Liabilities	2,768	198	7.7%	2,570	(9)	-0.3%	2,579
Total Non-current Liabilities	357,756	(44,082)	-11.0%	401,838	(40,154)	-9.1%	441,992
<b>Total Liabilities</b>	437,139	(27,055)	-5.8%	464,194	(33,346)	-6.7%	497,540
<b>NET ASSETS</b>							
Invested in Capital Assets (Net of Related Debt)	394,826	135,378	52.2%	259,448	101,544	64.3%	157,894
Restricted for Debt Repayments	44,999	114	0.3%	44,885	(3,533)	-7.3%	48,418
Restricted for Construction	0	(13,434)	-100.0%	13,434	(44,149)	-76.7%	57,583
Restricted for Uninsured Risks	3,009	8	0.3%	3,001	1	0.0%	3,000
Unrestricted Net Assets	26,674	(37,957)	-58.7%	64,631	5,153	8.7%	59,478
<b>Total Net Assets</b>	\$ 469,508	\$ 84,109	21.8%	\$ 385,399	\$ 59,026	18.1%	\$ 326,373

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

STATE OF NEW HAMPSHIRE							
DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM							
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS							
Comparative Fiscal Years Ended June 30							
(Amounts in thousands)							
	Change 2012 versus 2011			Change 2011 versus 2010			
	2012	\$	%	2011	\$	%	2010
<b><u>OPERATING REVENUES</u></b>							
Toll Revenue - Cash	\$ 42,256	\$ (2,617)	-5.8%	\$ 44,873	\$ (3,010)	-6.3%	\$ 47,883
Toll Revenue - E-ZPass	74,588	2,802	3.9%	71,786	3,633	5.3%	68,153
Other Toll Operating Revenue	1,105	(97)	-8.1%	1,202	(451)	-27.3%	1,653
Transponder Revenue	716	(111)	-13.4%	827	113	15.8%	714
Federal Revenue	1,274	1,274	100.0%	0	0	0.0%	0
<b>Total Operating Revenues</b>	119,939	1,251	1.1%	118,688	285	0.2%	118,403
<b><u>OPERATING EXPENSES</u></b>							
Personnel Services	10,495	(943)	-8.2%	11,438	86	0.8%	11,352
Payroll Benefits	5,531	(80)	-1.4%	5,611	147	2.7%	5,464
Enforcement	4,890	(36)	-0.7%	4,926	(99)	-2.0%	5,025
Renewal & Replacement	9,320	(4,989)	-34.9%	14,309	6,516	83.6%	7,793
Supplies, Materials & Other	3,423	(438)	-11.3%	3,861	316	8.9%	3,545
Equipment & Repairs	3,659	398	12.2%	3,261	594	22.3%	2,667
Indirect Costs	2,521	463	22.5%	2,058	48	2.4%	2,010
Heat, Light, and Power	1,269	(48)	-3.6%	1,317	102	8.4%	1,215
Bank & Credit Card Fees	2,226	(67)	-2.9%	2,293	256	12.6%	2,037
Rentals	589	(424)	-41.9%	1,013	242	31.4%	771
E-ZPass Processing Fees	5,252	(519)	-9.0%	5,771	512	9.7%	5,259
Transponder Expense	798	8	1.0%	790	21	2.7%	769
Depreciation and Amortization	23,016	2,012	9.6%	21,004	5,034	31.5%	15,970
<b>Total Operating Expenses</b>	72,989	(4,663)	-6.0%	77,652	13,775	21.6%	63,877
<b>Operating Income</b>	46,950	5,914	14.4%	41,036	(13,490)	-24.7%	54,526
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>							
Investment Income	130	(34)	-20.7%	164	(1,944)	-92.2%	2,108
Miscellaneous Income	3,420	(169)	-4.7%	3,589	3,395	1750.0%	194
Loss on Intra-Entity Acquisition of Land from Related State Agency	0	2,082	-100.0%	(2,082)	120,706	-98.3%	(122,788)
Loss on the Sale of Property	0	166	-100.0%	(166)	786	-82.6%	(952)
Interest on Bonds and Note	(12,821)	1,971	-13.3%	(14,792)	1,431	-8.8%	(16,223)
Amortization on Bond Issuance Costs	(356)	(128)	56.1%	(228)	744	-76.5%	(972)
<b>Total Non-Operating Revenues (Expenses)</b>	(9,627)	3,888	-28.8%	(13,515)	125,118	-90.3%	(138,633)
<b>Change in Net Assets Before Capital Contributions</b>	37,323	9,802	35.6%	27,521	111,628	-132.7%	(84,107)
Capital Contributions	46,786	15,281	48.5%	31,505	31,911	-7859.9%	(406)
<b>Change in Net Assets</b>	84,109	25,083	42.5%	59,026	143,539	-169.8%	(84,513)
<i>Net Assets – July 1</i>	385,399	59,026	18.1%	326,373	(84,513)	-20.6%	410,886
<i>Net Assets – June 30</i>	\$ 469,508	\$ 84,109	21.8%	\$ 385,399	\$ 59,026	18.1%	\$ 326,373

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

<b>STATE OF NEW HAMPSHIRE</b> <b>DEPARTMENT OF TRANSPORTATION - TURNPIKE SYSTEM</b> <b>CAPITAL ASSETS</b> <b>Comparative Fiscal Years Ended June 30</b> (Amounts in thousands)					
	Fiscal Years Ended June 30				
	2012	2011	2010	2009	2008
<b>Capital Assets not Being Depreciated:</b>					
Land and Land Improvements	\$ 112,519	\$ 108,783	\$ 108,751	\$ 107,357	\$ 110,663
Construction in Progress	159,803	120,785	76,758	35,070	26,082
Total Capital Assets not Being Depreciated	272,322	229,568	185,509	142,427	136,745
<b>Other Capital Assets:</b>					
Equipment and Computer Software	39,057	37,372	37,167	36,583	35,656
Buildings and Building Improvements	6,145	6,994	4,831	4,828	4,828
Infrastructure	764,384	713,456	671,146	630,309	611,156
Subtotal Other Capital Assets	809,586	757,822	713,144	671,720	651,640
Total Capital Assets	1,081,908	987,390	898,653	814,147	788,385
<b>Less Accumulated Depreciation for:</b>					
Equipment and Computer Software	(32,340)	(28,761)	(26,545)	(23,744)	(20,909)
Buildings and Building Improvements	(2,190)	(3,158)	(2,964)	(2,892)	(2,820)
Infrastructure	(256,300)	(258,805)	(241,299)	(216,203)	(204,292)
Total Accumulated Depreciation	(290,830)	(290,724)	(270,808)	(242,839)	(228,021)
<b>Total Net Capital Assets</b>	<b>\$ 791,078</b>	<b>\$ 696,666</b>	<b>\$ 627,845</b>	<b>\$ 571,308</b>	<b>\$ 560,364</b>

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

**SCHEDULE OF DEBT SERVICE COVERAGE RATIO**

**For the Fiscal Years 2012 - 1995**

(Amounts in thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	(A) Net Revenue Available for Service	(B) Revenue Bond Debt Service Requirements	(A / B) Revenue Bond Coverage Ratio	(C) G.O. Bond Debt Service Requirements	(D) Renewal & Replacement	(B+C+D) Total	(A / (B+C+D)) All Obligations Coverage Ratio
2012 <sup>1</sup>	\$ 118,856 (a)	\$ 40,653 <sup>1</sup>	\$ 78,203	\$ 33,328	2.35	\$ -	\$ 9,200	\$ 42,528	1.84 <sup>3</sup>
2011 <sup>1</sup>	\$ 119,314	\$ 42,339 <sup>1</sup>	\$ 76,975	\$ 33,745	2.28	\$ 599	\$ 9,800	\$ 44,144	1.74 <sup>3</sup>
2010 <sup>1</sup>	\$ 119,407	\$ 40,171 <sup>1</sup>	\$ 79,236	\$ 29,656	2.67	\$ 669	\$ 9,600	\$ 39,925	1.98
2009 <sup>1</sup>	\$ 107,660	\$ 40,361 <sup>1</sup>	\$ 67,299	\$ 25,873 <sup>2</sup>	2.6	\$ 1,597	\$ 10,040	\$ 37,510	1.79
2008	\$ 106,814	\$ 37,122 <sup>1</sup>	\$ 69,692	\$ 25,710	2.71	\$ 1,713	\$ 8,300	\$ 35,723	1.95
2007	\$ 89,054	\$ 36,158 <sup>1</sup>	\$ 52,896	\$ 28,078	1.88	\$ 2,985	\$ 6,047	\$ 37,110	1.43
2006	\$ 83,054	\$ 41,784 <sup>1</sup>	\$ 41,270	\$ 25,831	1.6	\$ 4,219	\$ 5,871	\$ 35,921	1.15
2005	\$ 68,318	\$ 30,041	\$ 38,277	\$ 27,003	1.42	\$ 4,246	\$ 5,700	\$ 36,949	1.04
2004	\$ 66,463	\$ 26,568	\$ 39,895	\$ 23,865	1.67	\$ 4,842	\$ 5,600	\$ 34,307	1.16
2003	\$ 67,086	\$ 24,505	\$ 42,581	\$ 24,749	1.72	\$ 5,183	\$ 5,700	\$ 35,632	1.2
2002	\$ 66,218	\$ 23,877	\$ 42,341	\$ 26,452	1.6	\$ 5,415	\$ 5,365	\$ 37,232	1.14
2001	\$ 63,981	\$ 21,352	\$ 42,629	\$ 25,352	1.68	\$ 5,696	\$ 5,431	\$ 36,479	1.17
2000	\$ 63,034	\$ 22,064	\$ 40,970	\$ 26,452	1.55	\$ 5,973	\$ 5,308	\$ 37,733	1.09
1999	\$ 59,257	\$ 18,794	\$ 40,463	\$ 22,286	1.82	\$ 6,304	\$ 4,119	\$ 32,709	1.24
1998	\$ 58,033	\$ 16,352	\$ 41,681	\$ 21,678	1.92	\$ 6,519	\$ 3,990	\$ 32,187	1.29
1997	\$ 55,714	\$ 17,231	\$ 38,483	\$ 21,597	1.78	\$ 6,747	\$ 3,000	\$ 31,344	1.23
1996	\$ 53,231	\$ 17,024	\$ 36,207	\$ 21,595	1.68	\$ 6,975	\$ 3,000	\$ 31,570	1.15
1995	\$ 51,670	\$ 17,336	\$ 34,334	\$ 20,878	1.64	\$ 7,232	\$ 2,810	\$ 30,920	1.11

1. Fiscal years 2006 through 2012 calculations of Direct Operating Expenses subtract out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). However, prior year calculations still reflect the historical practice of subtracting only the Turnpikes portion of depreciation expense.

2. The fiscal year 2009 debt service requirement consists of total payments to the Debt Service Account as required by the bond resolution. Debt service requirement calculations in the previous fiscal years consisted of the actual principal and interest paid over the fiscal year.

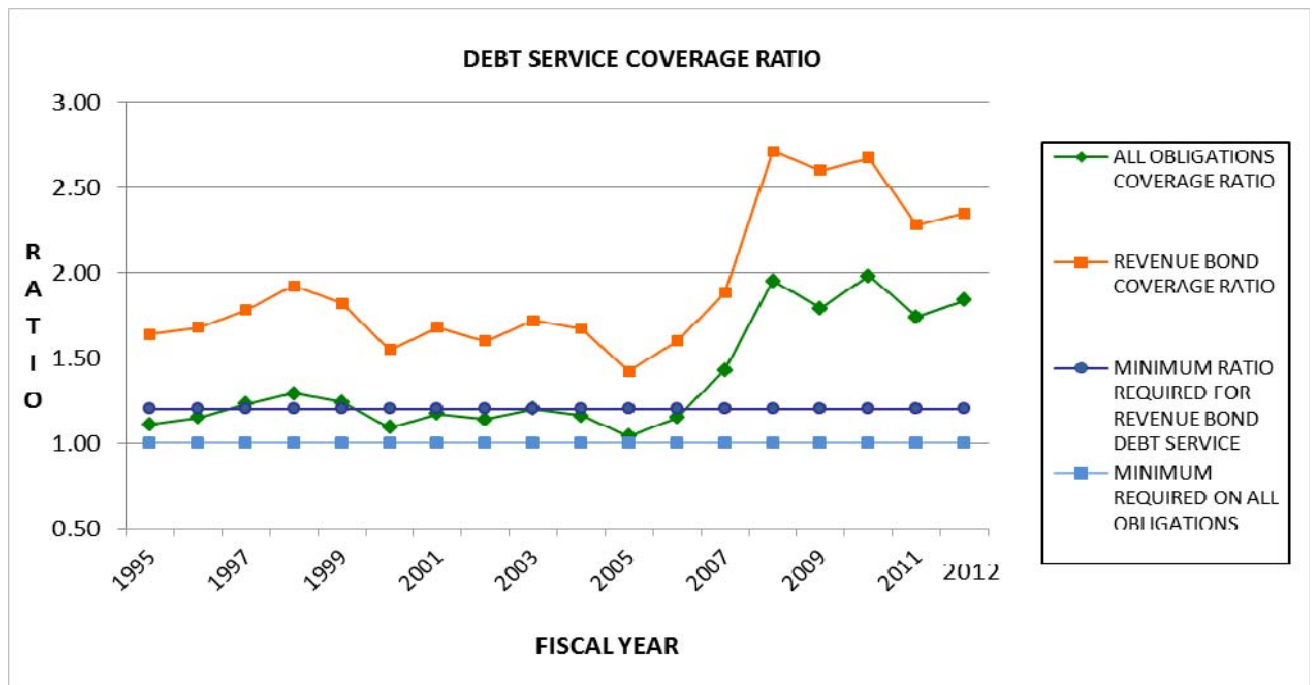
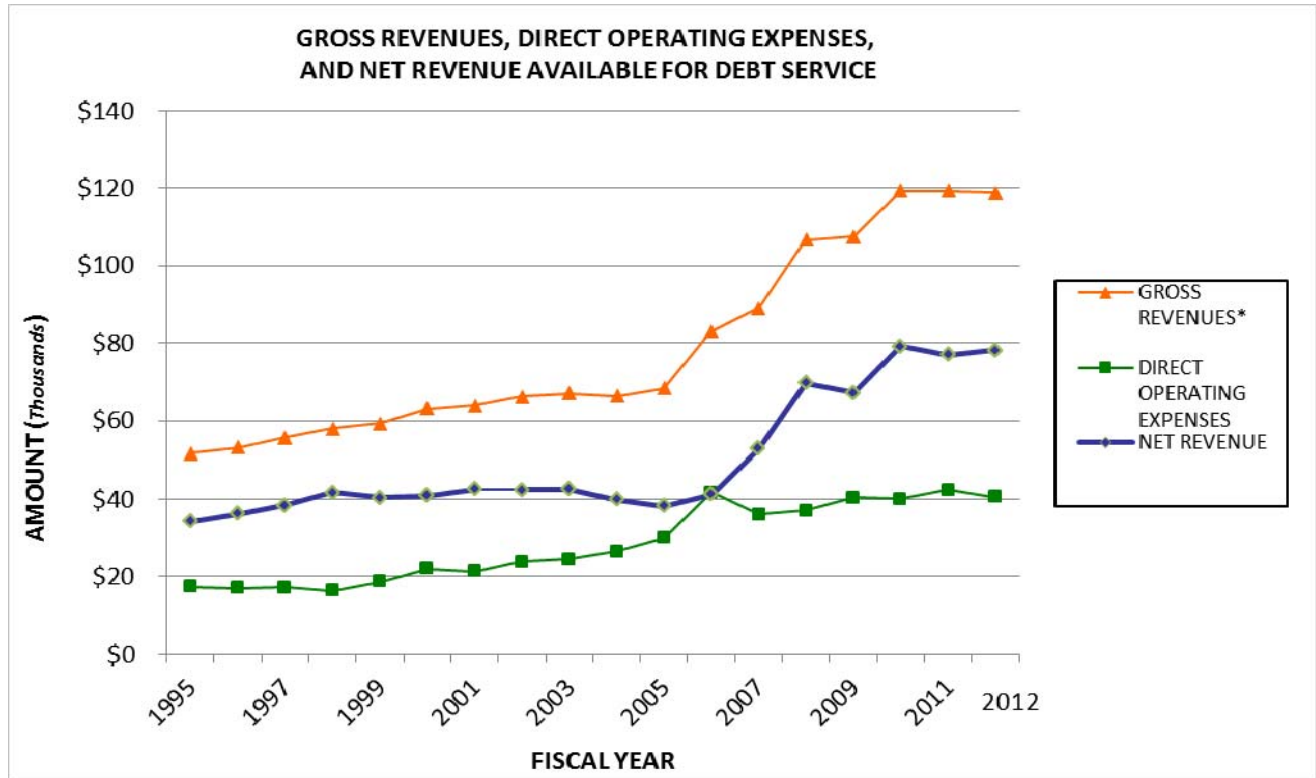
3. Unaudited toll covenant calculations indicate adequate toll revenues for fiscal year 2012. The revenue bond coverage ratio was satisfied at 2.35 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.84 for the 1.0 times test, as calculated by the Department. Chapter 144, Laws of 2009 authorized the acquisition and transfer of a bridge and 1.6 mile section of I-95 to the Turnpike System for \$120 million. The Turnpike System continues to make payments, and in fiscal year 2012, made a note payment of \$26 million to the State Highway Fund. Because the Turnpike System unrestricted cash balance at June 30, 2012 was \$57.5 million, this balance beginning in fiscal year 2013 was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2012 revenues for this payment were not needed. Accordingly, the Note Payable to the State Highway Fund was not included in the all obligations ratio for fiscal year 2012.

(a) Gross Revenues less Federal revenue of \$1.3 million.

See accompanying Independent Auditor's Report.



**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**



\* As defined in Turnpike System Bond Resolutions.

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
**Statistical Section**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

**ANNUAL TRAFFIC AND TOLL REVENUE TRENDS**

**New Hampshire Turnpike System**  
**For the Fiscal Years Ended June 30**

The table below shows annual toll transaction and revenue trends for the Turnpike System during the period beginning with fiscal year 2012 and ending with fiscal year 1998.

Fiscal Year	Annual Toll Transactions	Percent Change from Prior Year	Annual Toll Revenues*	Percent Change from Prior Year
2012 <sup>+</sup>	108,718,537	0.00%	\$116,844,000	0.16%
2011 <sup>+</sup>	108,723,856	0.36%	\$116,659,180	0.54%
2010 <sup>+</sup>	108,336,576	0.63%	\$116,036,026	11.67%
2009 <sup>+</sup>	107,653,154	-4.90%	\$103,907,003	3.40%
2008 <sup>+</sup>	113,186,722	-2.00%	\$100,406,992	22.20%
2007 <sup>+</sup>	115,457,650	0.80%	\$82,175,322	7.20%
2006 <sup>+</sup>	114,562,787	4.10%	\$76,633,131	16.20%
2005 #	110,040,272	-0.50%	\$65,956,309	0.30%
2004 #	110,573,506	0.50%	\$65,780,607	2.20%
2003	109,978,691	2.10%	\$64,367,301	0.00%
2002	107,729,932	4.00%	\$64,371,208	4.60%
2001	103,583,561	4.20%	\$61,536,675	2.30%
2000	99,363,028	5.70%	\$60,166,815	5.40%
1999	94,017,638	5.70%	\$57,080,882	5.10%
1998	88,987,246	4.70%	\$54,298,452	4.10%

\* Excludes charge account interest and miscellaneous income.

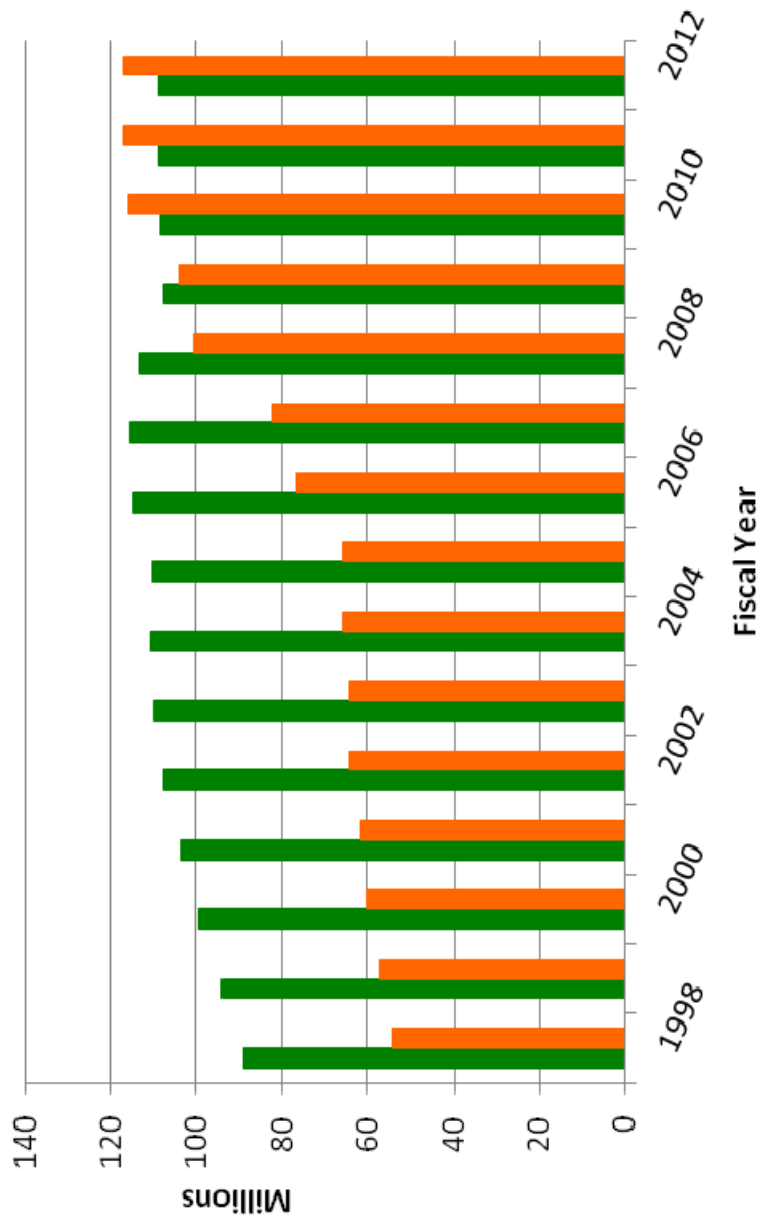
<sup>+</sup>Toll Revenue amounts used FY06 through FY12 agree to the Consolidated Annual Financial Reports. Cash basis revenue was used in prior years.

<sup>#</sup>Hampton toll plaza: One-way tolls September-October 2003 and July-October 2004.

See accompanying Independent Auditor's Report.

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
Statistical Section  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)


**ANNUAL TRAFFIC AND TOLL REVENUE TRENDS**  
New Hampshire Turnpike System  
For the Years Ended June 30



See accompanying Independent Auditor's Report

**NEW HAMPSHIRE TURNPIKE SYSTEM**  
Statistical Section  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

**TOLL RATE SCHEDULE**  
Effective July 1, 2009

		TOLL RATE SCHEDULE												
		2 axles - single rear tires	3 axles - single rear tires	4 axles - single rear tires	5 axles - single rear tires	2 axles - dual rear tires	3 axles - dual rear tires	4 axles - dual rear tires	5 axles - dual rear tires	6 axles - dual rear tires	7 axles - dual rear tires	8 axles - dual rear tires	9 axles - dual rear tires	
Plaza	Fare Type/Class	1	2	3	4	5	6	7	8	9	10	11	12	
Hooksett	Cash Fare	1.00	\$ 1.25	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00	\$ 4.50	\$ 5.00	\$ 5.50	
Main	E-ZPass Fare	\$0.70	\$0.88	\$1.05	\$1.23	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	\$4.95	
Hooksett	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	
Ramp	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	
Bedford	Cash Fare	1.00	1.25	1.50	1.75	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	
Main	E-ZPass Fare	\$0.70	\$0.88	\$1.05	\$1.23	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	\$4.95	
Bedford	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	
Road	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	
Exit 11	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	
Merrimack	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	
Industrial	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	
Hampton	Cash Fare	2.00	2.25	2.50	2.75	4.00	4.50	5.00	5.50	6.00	6.50	7.00	7.50	
Main	E-ZPass Fare	\$1.40	\$1.58	\$1.75	\$1.93	\$3.60	\$4.05	\$4.50	\$4.95	\$5.40	\$5.85	\$6.30	\$6.75	
Hampton	Cash Fare	0.75	1.00	1.25	1.50	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	
Side	E-ZPass Fare	\$0.53	\$0.70	\$0.88	\$1.05	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	
Dover	Cash Fare	0.75	1.00	1.25	1.50	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	
Toll	E-ZPass Fare	\$0.53	\$0.70	\$0.88	\$1.05	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	
Rochester	Cash Fare	0.75	1.00	1.25	1.50	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	
Toll	E-ZPass Fare	\$0.53	\$0.70	\$0.88	\$1.05	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	

See accompanying Independent Auditors' Report

Back Cover 1 (top)

F.E Everett Turnpike (I-93) Hooksett Open Road Tolling improvements looking south.

Back Cover 2 (left)

F.E. Everett Turnpike (I-293) Bedford Route 3 Bridge looking southwest.

Back Cover 3 (right)

Spaulding Turnpike (NH 16) Rochester Exit 15 looking south.

